THE CRITICAL COMMUNICATIONS COMPANY

Communications | IT Solutions | Consulting

Speedcast International Limited

ACN 600 699 241

CONSOLIDATED FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

Registered Office

Unit 4F Level 1, 12 Lord Street,

Botany, NSW, 2019

DIRECTOR’S REPORT

Information on Directors

John Angus Mackay Independent non-executive Director Chairman	▪ John was appointed to the Speedcast Board in 2013 as an Independent Non-executive Director and appointed as Chairman in 2014. ▪ John has over 15 years of experience as a Chairman and Director of major companies across the communications, utilities, health, construction and education sectors. ▪ John is currently the Chairman of ASX-listed CommsChoice Group Ltd and a Director of Energy Action Limited. ▪ Previously, John held the role of Chairman of TransACT Communications, a regional integrated telecommunications and subscription TV operator. John was the Chairman and CEO of ACTEW Corporation and CEO, Chairman and founder of its joint venture with AGL. Earlier in his career, John held a number of senior roles in the Australian federal public service. ▪ John has been a Chairman or Director of several charitable, arts and sporting boards. He was Chancellor of the University of Canberra and Chairman of the Strategic Advisory Board of the National Arboretum Canberra. ▪ John was appointed a Member of the Order of Australia in 2004, and was named as Canberra Citizen of the Year in 2008. John holds Bachelors of Arts (Administration) and Economics and an Honorary Doctorate from the University of Canberra.
Michael Stuart Berk Non-executive Director	▪ Michael Berk is a Managing Director of TA Associates, and has been a Director of Speedcast since its acquisition by the TA Associates Funds in 2012. ▪ On behalf of TA Associates, Michael currently serves as a Director of Truck Hero Inc. (‘THI’), the Professional Warranty Service Corporation and Towne Park. ▪ Previously, Michael was a Director of Microban International and Triumph HealthCare. ▪ Michael holds a JD (cum laude) from Harvard Law School, an MBA from Harvard Business School and a Bachelor of Arts (magna cum laude) from Harvard University.

Information on Directors (continued)

Grant Scott Ferguson Independent Non-executive Director	▪ Grant was appointed as an Independent Non-executive Director of Speedcast in 2013. Grant is also Chairman of the Audit, Business Risk and Compliance Committee. ▪ Grant has over 15 years of experience in the telecommunications industry. Previously, Grant was the CEO of Astro Overseas Ltd, where he was responsible for the development and management of the Astro Group's international business. ▪ While CEO of Astro Overseas, Grant was concurrently the CFO of Astro All Asia Network Plc, one of Asia's leading integrated multimedia groups. ▪ Prior to that role, Grant was a Managing Director at sovereign wealth fund Temasek Holdings, where he was responsible for overseeing the development of the fund's telecommunications and media investments. ▪ Grant has also held the roles of CFO of Total Access Communications in Thailand and Treasurer for the First Pacific Group in Hong Kong. ▪ Grant currently serves as an advisor to and Non-Executive Director of a number of businesses across Asia covering a variety of industry sectors. ▪ Grant commenced his career with PricewaterhouseCoopers working in the United Kingdom, United States and Hong Kong where he held a series of senior management positions. ▪ Grant is a member of the Institute of Chartered Accountants in Scotland and the Hong Kong Institute of Certified Public Accountants.
Peter Edward Jackson Independent non-executive Director	▪ Peter was appointed as an Independent Non-executive Director of Speedcast in 2012 and is also currently the Chair of the Nomination and Remuneration Committee. ▪ Peter has over 40 years of experience in the satellite and telecommunications sectors. He is currently a Non-Executive Director of AsiaSat, where until 2012 he was Executive Chairman. He joined AsiaSat as CEO leading the company through its 1997 listing on the Hong Kong Stock Exchange. Peter is also a former Director of the Cable & Satellite Broadcasting Association of Asia. ▪ Prior to joining AsiaSat, Peter spent 20 years with Cable and Wireless. ▪ Peter is currently a member of the Advisory Board of Thuraya Telecommunications, a mobile satellite operator in Dubai, a consultant to CITIC and a member of the investment committee of a private equity firm. ▪ Peter has previously held the role as Director and Chairman at Daum, a public company that is a large internet provider in South Korea.

Information on Directors (continued)

Michael Martin Malone Independent Non-executive Director	▪ Michael Malone was appointed as an Independent Non-executive Director of Speedcast in May 2014. ▪ Michael is the founder and former CEO of ASX-listed internet provider iiNet, a position he held from 1999 to 2013. ▪ Michael served as the President of the Western Australian Internet Association from 1996 to 2002. ▪ Michael is also the former Deputy Chairman of Autism West. ▪ Michael was a winner of the Western Australian Information Technology and Telecommunications awards lifetime achievement award in 2005, and in 2006 was awarded the Business News Award for the most outstanding business leader in Western Australia under 40 and the Young Leader of the Year award for the JML Australia Human Capital Leadership Awards. ▪ Michael holds a Bachelor of Science and a Diploma of Education from the University of Western Australia.
Edward Francis Sippel Non-executive Director	▪ Edward is a Managing Director of TA Associates and Co-Head of TA Associates in Asia. Edward focuses on investments in companies in the Asia Pacific Region. ▪ Edward has been a Director of Speedcast since its acquisition by the TA Associates Funds in 2012. On behalf of TA Associates, he also serves on the board of Fisher Funds in New Zealand, Yarra Capital in Australia, Yeepay in China and was formerly a Director of Nintex in Australia and Forgame in China. ▪ Prior to joining TA Associates, Edward was a partner at two private equity funds, Quadrangle Capital Partners and TVG Capital. In this capacity Edward served on the Board of Directors of many public and private companies globally, including several in Australia such as Request Broadband and Power Tel, an ASX-listed entity which was later acquired by Telecom New Zealand/AAPT. ▪ Edward holds a BA from Georgetown University.
Pierre-Jean “PJ” Joseph Andre Beylier Chief Executive Officer, Director	▪ PJ joined Speedcast in 2000 as Head of Sales and Marketing. He was appointed Chief Executive Officer of Speedcast in 2004. PJ has been instrumental in developing and executing the strategy to create the leading satellite service provider in the industry through both acquisitions and organic growth. ▪ PJ has over 20 years of experience in international sales and marketing across Black and Decker in France, and at Rhodia, a French manufacturer of specialised industrial chemicals where he held a number of roles including export sales manager for one of the divisions, responsible for Southern and Eastern Europe, Middle East and Africa, and then managed key e-business projects in the Group. ▪ PJ graduated from Lyon School of Management and received a MBA from the University of Southern California.
Andrew William Metcalfe Company Secretary	▪ Andrew is a qualified chartered secretary and experienced governance adviser. ▪ He is a CPA, Fellow of the Governance Institute of Australia and Member of the Australian Institute of Directors. ▪ Andrew has acted as Company Secretary for a range of ASX-listed companies across a broad range of industries. ▪ Andrew is based in Melbourne and advises Speedcast on company secretarial practice and procedures and governance matters.

Principal Activities

Speedcast's core business vision is to be a leader in the provision of remote communications and IT services worldwide by focusing on creating value for customers through delivering high quality, innovative and tailored solutions with exceptional customer service. Key to the strategy is the ability to retain flexibility to react to changes in customer needs and industry trends.

Speedcast provides products and services in the following categories:

Network Services

Managed services for VSAT, cellular, wireless and fibre networks through our technology-agnostic, customised communications service. Design, deployment, operation and maintenance of networks, including installation and equipment configuration. Key determinants of the network service are the availability of satellite capacity, the proximity of core infrastructure required to deliver the service, and the skilled personnel to complete the network design, system integration, regulatory compliance and follow-up maintenance and support during the lifetime of the service.

Value Added Services

Speedcast offers its customers a range of value-added services, such as user applications (cyber security, email, voice, video conferencing, video surveillance), network optimisation (firewalls, filtering, data compression) and network monitoring and management (including reporting tools and remote access for IT technicians). Product innovation is the key to success, achieved through the ability to rapidly prototype, test, and productise new products for the Speedcast portfolio.

Equipment Sales

Speedcast sells equipment directly to customers, including the very small aperture terminal (VSAT) terminals, modems, routers and other types of equipment related to the provisioning of value-added services. The ability to certify new and existing equipment on Speedcast's network is critical. This requires skilled personnel, testing facilities and the ability to anticipate future market demand.

Wholesale Voice

Speedcast sells wholesale voice services to telecom customers via the sale of voice minutes on a wholesale basis, which are then re-sold to the end user. These services require a highly redundant carrier-class network backed with skilled personnel to manage, maintain and operate.

Professional Services

Professional Service is the provision of technical manpower and expertise to Speedcast's customers. This includes providing personnel directly to client sites, installations supporting client owned IT and telecom equipment and locally based technical support to customers with sites in a remote or difficult regions.

System Integration

Speedcast has three decades of experience in designing and integrating multiple complex telecommunication and IT systems. We provide project management and systems integration services to public safety, utility, oil and gas, and maritime clients with operations around the world. The Group also offers turnkey systems integration of communication, security and crew morale solutions developed with robust engineering, analysis, design and project management processes and tools.

Review of Operations

- Total revenue of $514.2M and Underlying EBITDA[1] of $122.6M in 2017.
- Triple-digit year-on-year revenue growth of 136% and Underlying EBITDA growth of 195%.
- Underlying EBITDA margin surged to 23.8% (FY16: 19.0%) reflecting the impact of cost synergies from the integration of Harris CapRock and operational leverage from increased scale.
- 2017 includes two months of UltiSat contribution, a transaction completed on 1 November 2017. Revenues of $14.1M and underlying EBITDA of $2.4M are included in the Speedcast Full Year 2017 results.
- Excluding UltiSat, Speedcast delivered $500.1M in revenues and $120.2M in Underlying EBITDA.

Key Developments

Fiscal year 2017 has been transformative for Speedcast. Significant changes to the business include:

Global Presence

- Our expanded footprint and infrastructure is unique in our industry. Our enhanced capabilities combined with our global scale enables us to deliver innovative solutions and world-class support to customers in over 100 countries.

Major Acquisitions

- With the acquisition of Harris Caprock in January 2017, Speedcast is now the market leader in the key Energy and Maritime verticals.
- Speedcast provides services to approximately 70% of cruise passengers around the world, serving the two top global cruise fleets in addition to multiple smaller fleets. It also serves a wide portfolio of longstanding and established Energy customers.
- On 1 November 2017, Speedcast completed the acquisition of UltiSat which positions the Group well in the Government sector, just as defense budgets are expected to grow globally.
- These acquisitions have allowed Speedcast to increase its reach to customers in North America, Europe, Brazil, Indonesia and parts of Africa and provide a strong platform to deliver critical communications globally.

Financial Performance

- Group revenues grew by 136% and service revenues increased by 157%; with the acquisition of Harris CapRock contributing strongly and UltiSat contributing 2-month of revenues.
- The year saw some challenging market conditions in some verticals (e.g. Energy), that generated higher than expected revenue churn.

Expansion of Maritime Business

- In 2017 Speedcast Maritime service revenues saw 193% growth with the integration of Harris CapRock.
- Organically, the division experienced mid-teens growth as over 650 new VSAT services were activated for Commercial Maritime customers

Gradually Recovering Energy Business

- 2017 Energy revenue growth of close to 500% was driven by the impact of the Harris CapRock acquisition.
- 2017 saw four consecutive quarters of stable revenues as Energy companies continued to rely on Speedcast's communication solutions for their sites that remain in operation.

EEM Positioned to Grow

- Enterprise and Emerging Markets division grew slightly thanks to contributions from the Harris CapRock acquisition.

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[1] Underlying financial results are intended to exclude items which are non-recurring in nature, such as acquisition-related transaction costs, integration costs and restructuring costs. A reconciliation of underlying results to statutory results is shown on page 18. EBITDA is defined as earnings before interest, tax, depreciation and amortisation and is used to measure the underlying performance of the Group excluding certain non-cash items

Key Developments (continued)

New Products and Services

- Speedcast TV On Demand is an innovative infotainment solution providing entertainment and information to employees and passengers anywhere in the world: on cruise ships, energy platforms and land sites.
- SIGMA Gateway Xtreme is a network device capable of managing both VSAT networks and 4G/LTE services. SIGMA Gateway Xtreme delivers the ultimate in reliability and redundancy and is designed to withstand harsh environments while delivering high availability and performance.
- GO4SPEED: This new product provides 4G/LTE global data service outside of our satellite network and enables the customer to receive the strongest, most reliable signals available.

Future Developments and Results

Likely developments in the operations of the Group have been included in the Operating and Financial Review. The Group is presently focused on consolidating its operations to ensure an effective operating model, and the results for 2018 are expected to achieve a reasonable increase over 2017.

Environmental Issues

The Group's operations are not regulated by any significant environmental regulations in any of the operating countries.

Meeting of Directors

During the financial year, 10 Board, 5 Audit and Risk Committee and 1 Nomination and Remuneration Committee meetings were held. Attendances by each Director and sub-committee member during the year were as follows:

Directors	Principal Board meeting	Ad-hoc Board meeting	Audit and Risk	Nomination and Remuneration
John Mackay	6	4	5	
PJ Beylier	6	4		
Grant Ferguson	6	4	5	1
Peter Jackson	6	2		1
Ed Sippel	6	3	5	1
Michael Malone	6	2	5	1
Michael Berk	6	1		
Total held	6	4	5	1

Indemnification and Insurance of Officers

During the financial year, Speedcast International Limited, paid a premium applicable to the period from 1 January to 31 December 2017 of USD 171,500 (2016: USD 49,405) to insure the Directors and Officers of the Company and its worldwide controlled entities.

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

It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

Remuneration of Directors and Key Management Personnel

The Remuneration Report is set out on pages 20 to 30, which forms part of this Directors' Report.

Auditor

PricewaterhouseCoopers continues in office in accordance with section 327 of the Corporations Act 2001.

Non-audit services

The Board of Directors, in accordance with advice from the Audit and Risk Committee, are satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- All non-audit services are reviewed and approved by the Audit and Risk Committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- The nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standard Board.

The following fees were paid or payable to the external auditors for non-audit services provided:

	2017 US$	2016 US$
Remuneration of auditor of the parent entity PricewaterhouseCoopers Australia ("PwC")		
Taxation services	448,790	14,066
Transaction related services	172,553	340,483
Total remuneration of PwC	621,343	354,549
Remuneration to other related entities of PwC		
Taxation services	144,065	-
Transaction related services	60,456	1,716,302
Other services	7,626	5,821
Total remuneration of other related entities of PwC	212,147	1,722,123
Remuneration to auditors other than PwC or its related entities		
Taxation services	274,473	78,386
Transaction related services	9,662	-
Total remuneration to auditors other than PwC or its related entities	284,135	78,386

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 31.

Dividends

	2017 US$'000	2016 US$'000
Dividends declared during the year		
Interim dividend declared for the year ended 2017: AUD 2.40 cents (fully franked), 2016: AUD 3.20 cents (fully franked)	4,494	3,351
Final dividend declared for the year ended 2016: AUD 2.40 cents (fully franked), 2015: AUD 3.65 cents (fully franked)	4,292	3,292
	8,786	6,643

In addition to the above declared dividends, on 26 February 2018, the Board approved a final dividend of AUD 4.80 cents per share for the year ended 31 December 2017. The dividend will be paid on 23 May 2018 to all shareholders registered on the record date of 9 March 2018. The ex-dividend date for dividend entitlement will be 8 March 2018. The dividend will be fully franked for Australian taxation purposes.

The final dividend of AUD 4.80 cents per share brings the 2017 total dividend to AUD 7.20 cents per share, a 75% year-on-year increase in the overall dividend cash payment.

Share Options

At the date of this report, the unissued ordinary shares of Speedcast International Limited under options are as follows:

Scheme	Grant Date	Vesting Date	Number of unissued shares under Option
Restricted Management rights	14 August 2014	Various to 14 August 2018	185,108
Long Term Incentive Plan 2014	12 August 2014	31 December 2017	255,410
Long Term Incentive Plan 2015	9 September 2015	31 December 2018	528,870
Long Term Incentive Plan 2017	15 May 2017	31 December 2019	671,841
			1,641,229

265,876 shares were issued in the year in relation to the vesting of options under the RMR scheme. 255,410 rights related to the LTIP 2014 scheme vested on 31 December 2017 and shares remained unissued as at 31 December 2017.

Option holders do not have any rights to participate in any issues of shares or other interests in the Company or any entity.

For details of options issued to Directors and other Key Management Personnel as remuneration, refer to the Remuneration Report.

Events after the Reporting Date

On 1 March 2018 377,781 shares were issued in full settlement of the 2014 LTIP scheme and partial settlement of the RMR scheme. Refer to note 12.

Other than the above, there have been no other material post balance sheet events since 31 December 2017.

Rounding of Amounts

The Company is of a kind referred to in the ASIC Legislative 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 statements have been rounded off in accordance with that class order to the nearest thousand dollars.

This Directors' Report and the Remuneration Report are signed in accordance with a resolution of the Board of Directors.

Pierre-Jean Beylier

Chief Executive Officer, Executive Director

29 March 2018

OPERATING AND FINANCIAL REVIEW

Overview

Highlights of the Group's operating and financial performance during 2017 and up to the date of this report are as follows:

- Speedcast achieved significant growth across all P&L metrics. Group revenues grew 136% to $514.2 million and underlying EBITDA reached $122.6 million, up 195% year on year.
- Underlying EBITDA margin continued to improve and reached 23.8% in 2017 (+480bps year on year) through the effective delivery of cost and operating synergies.
- 2017 saw the acquisitions of Harris CapRock and UltiSat. The addition of Harris CapRock has allowed the Group to reach leading market positions in both the Energy and Maritime verticals, while UltiSat provides Speedcast with a fourth pillar of growth with its new Government vertical.
- The successful integration of Harris CapRock will allow the Group to generate more than $30 million of synergies in 2018, in excess of the original investment case.
- The Maritime business generated 193% service revenue growth, driven by the integration of the Cruise business of Harris CapRock and the strong organic growth in the legacy Speedcast business. Speedcast activated 650 new vessels over the period, supported by the migration of our Commercial Maritime customers from narrowband to broadband systems.
- The growth of Energy revenues was mainly driven by the integration of Harris CapRock, which has transformed Speedcast into the global leader in the Energy sector. The division posted four consecutive quarters of stable revenues in 2017 and is starting to reap the benefits of Speedcast's global platform, as demonstrated by the win of the Noble Drilling contract in early 2018.
- EEM has grown slightly, due primarily to the contribution of Harris CapRock. On a like-for-like basis, revenues decreased due to higher churn than expected and delays in the implementation of significant projects. In early 2018 Speedcast signed a landmark AUD107 million contract with NBN in Australia, which could generate up to AUD184 million in revenue over a 10-year period.
- An interim fully franked dividend of AUD 2.40 cents per ordinary share was paid on 13 October 2017 for the six months ending 30 June 2017 and a fully franked dividend of AUD 4.80 cents per ordinary share was declared for the six months ending 31 December 2017; the dividend equates to 29% of underlying NPATA, which represents an increase of 75% of the previous years' dividend.

2018 Outlook

The Group expects to continue to organically grow both revenue and EBITDA in 2018, achieved through growth trends in Maritime, strong wins and activations in EEM, and a gradual return to growth in the Energy sector.

Key growth drivers include:

- In Maritime, a very strong backlog of over 950 VSATs in merchant shipping and promising medium-term growth potential in Cruise, with customers planning for much higher bandwidth for both guests and crew.
- EEM will benefit from around $30 million of revenues expected from the NBN contract, growth in cellular backhaul and good momentum in Latin America and Africa, where Speedcast is winning more large projects.
- Return to moderate revenue growth in Energy, expected to be realised later in 2018 due to the full year effect of churn in 2017 and early 2018. Systems integration revenues are expected to continue to grow in 2018 as customer investment slowly returns. The successful integration of Harris CapRock also provides the Group with a strong global platform for future market share gains.
- The recently acquired UltiSat business will benefit from the momentum in the US Government sector where demand is expected to recover strongly. 2018 revenues will also include the full year contribution of the UltiSat acquisition that contributed just two months of revenue and EBITDA to the 2017 numbers.

The strategic acquisitions made over the past 24 months have positioned Speedcast solidly in key markets with strong or improving underlying growth fundamentals in Energy, Cruise, Commercial Maritime, Government and Cellular Backhaul.

Overview of Divisions

Speedcast has four key pillars of growth: Energy, Maritime, Enterprise & Emerging Markets and Government. During 2017, Speedcast established a strategic platform for profitable growth.

Gradually Recovering Energy Business

Summary

The Energy sector continued to be impacted by oil price instability, environmental concerns and regional political instability in 2017. Although demand began to increase, and U.S. producers increased production, macroeconomic conditions continued to be a challenge and the industry remained relatively stagnant overall.

Despite sluggish activity, Energy companies continue to rely on Speedcast's networks for their sites that remain in operation and continue to invest in ways to maximise the effectiveness of their communications networks as they await an upswing in the next 12 to 18 months. We have seen the beginning of a return of operations in the onshore Energy sector, while offshore activity is slower to follow suit.

With the acquisition of Harris CapRock, Speedcast became the global market leader in the sector with an on-the-ground presence in all major Energy regions.

Prior to the Harris CapRock acquisition, Energy was the smallest division in the Group, contributing 16% of Speedcast's service revenues in 2016. Immediately post-acquisition, the sector represented Speedcast's highest revenue stream, with approximately 45% of total revenues.

Business Growth

- Noble Drilling Global Fleet: Speedcast was selected by Noble Corporation plc ("Noble") to provide new communications equipment and fully-managed connectivity services to their global drilling fleet. Through a combination of satellite VSAT and 4G/LTE services in key regions, Speedcast will deliver end-to-end managed communication services to Noble's fleet of vessels and rigs beginning in 2018. The solution includes a technology change-out of the fleet's entire hardware infrastructure, with installations of dual-band antennas and the latest modem technologies to maximise throughput, security and redundancy. Noble will also benefit from segmented operational and crew networks to optimise efficiency and network availability.
- Nabors in South America: Speedcast was selected by Nabors Industries Ltd. (NYSE: NBR) ("Nabors") to provide new IT communications equipment and cloud-based connectivity services to 40 land-based sites in Ecuador, Colombia, Venezuela and Argentina. Speedcast delivers communications to the remote land-based sites throughout South America, supported by the company's 24x7x365 global customer service centres.
- Odebrecht in Brazil: Speedcast was chosen to update the complete connectivity solution for Odebrecht Oil and Gas, upgrading services on all rigs to a high throughput satellite (HTS) solution
- Diamond Offshore Renewal: A long-time customer, Diamond Offshore renewed its fully managed voice and data communications services under a new agreement. Speedcast's service model yields increased flexibility to better allocate bandwidth as the rigs' communications requirements change and as Diamond Offshore's operations move from one region of the world to the next. Diamond Offshore's rigs – a combination of drillships and semisubmersibles – are located across the Gulf of Mexico, North Sea, Brazil and Asia Pacific.
- Other Activity: A fully-integrated Energy multinational corporation in Malaysia renewed and expanded a 36-month contract for VSAT on its fleet of drilling rigs and platforms in the Asia-Pacific region.
- Other Activity: Speedcast won a new Systems Integration project in the Mediterranean Sea.

Gradually Recovering Energy Business (continued)

Business Challenges

The stagnant nature of the Energy industry environment limited growth opportunities in 2017. Although some customers began ramping up resources and increasing activity, many companies have remained hesitant to invest in new technologies or additional infrastructure until a more positive outlook is evident. Speedcast was able to keep its customers in this sector, in addition to winning new business from other providers in 2017.

Outlook

According to Rigzone, "with OPEC, Russia and other non-OPEC producers agreeing on Nov. 30, 2017 to extend their oil production restraints through 2018, energy analysts expect a market rebalance in the second half of 2018." This market rebalance sets positive expectations for oil prices in 2018, which in January tipped over $66 per barrel. While much of the Energy industry is optimistic and hopeful for positive movement in 2018, there are many uncertainties which hinder experts' ability to make confident claims about the next 12 months. With these macro-economic indicators improving, the outlook for medium term growth is becoming more positive.

Speedcast has taken the time to invest in strengthening and consolidating our global offshore network infrastructure as well as building an updated approach to a fully-managed, multi-access connectivity offering that is tailored to customer needs, offering scalability and flexibility wherever customer assets are in the world. This gives Speedcast unique scale and capabilities to capture growth opportunities and enable market share gains.

As Energy companies prepare for the upturn, they require a partner that can provide strategic direction on new trends and technologies such as digitalisation and IoT (Internet of Things).

As the Energy industry activity returns but remains unsteady, Speedcast is well-equipped to be a strong consultative partner, helping Energy customers to ramp up activity or scale down as needed, while maintaining a reliable network.

Enterprise & Emerging Markets (EEM) Positioned to Grow

Summary

The EEM portfolio addresses varied markets, including cellular operators, civil government, humanitarian, utilities, mining and media. Speedcast experienced slight revenue growth in 2017 due to significant churn in 1H. The revenue growth in 2H was not sufficient to offset 1H churn. The revenue churn was mainly due to fibre penetration and strong competition in the Pacific region, and the loss of a major customer in Indonesia.

Cellular backhaul and rural connectivity solutions are key growth drivers for EEM. These solutions represented more than 38% of EEM total revenue in 2017 and are expected to contribute growth to the division in 2018. According to NSR, satellite is finally capturing a portion of the massive growth in global IP traffic due to the arrival of HTS (High Throughput Satellites), consumer broadband explosion and backhaul & trunking, which will generate the largest opportunities for the fixed enterprise VSAT market. Speedcast is well positioned to take advantage of this market trend with its focus on rural connectivity in Latin America and Africa and high-end enterprise customers in emerging markets.

Business Growth

- Alpha Telecommunication Mali (Atel): Speedcast's suite of cellular backhaul solutions was selected to connect all remote areas of the country to the Bamako main core infrastructure, allowing millions of potential consumers to benefit from voice and data services.
- Australian Government: Speedcast was chosen to provide mission-critical remote communication services to Antarctic research stations which conduct scientific and environmental research.
- Iquitos: Speedcast is delivering network services to cellular operators and enterprise customers in areas of Peru where high performance Internet is badly needed, enabling a host of latency-intensive and bandwidth-hungry applications, as well as opening the door to economic development.
- Save the Children: Speedcast was chosen to provide a network of over 40 sites in Africa.
- NBN: The 10-year NBN contract signed in early 2018 to provide enterprise connectivity in Australia will make a significant contribution to EEM revenues in 2018 and beyond.

Business Challenges

Speedcast EEM serves regions and markets which are regularly affected by natural disasters, wars, political instability, or are in underdeveloped rural territories.

As in 2016, there is evidence of over-supply of bandwidth globally, which applied price pressure in some markets. Speedcast has worked to mitigate the impact of this risk by re-negotiating many of its capacity contracts and by continuing its longstanding technology agnostic approach.

Outlook

We expect EEM to be the fastest growing division in 2018 with key focus areas being cellular backhaul, mining, and media. We have hired additional resources to focus on these verticals.

Some price erosion is expected but will be offset by volume growth and market share gains.

Cellular Backhaul is expected to continue experiencing strong growth while new opportunities are appearing in the media, mining and Government services business. The addition of UltiSat will bring new business opportunities in the humanitarian and Civil Government sectors, including NGOs, rural connectivity, education, health, transport and infrastructure.

Maritime: Continued Growth in the Cruise Sector and Expansion of Commercial Maritime

Summary

Speedcast now provides service to approximately 70% of the cruise passengers around the world, serving the top two global cruise fleets, in addition to multiple smaller fleets. The main drivers of revenue growth in this segment comes not only from winning new customers, but also the rapid increase in bandwidth demands onboard cruise vessels. Passenger and crew connectivity needs are at an inflection point and driving bandwidth growth. Speedcast is also working with our customers to support new applications such as wearables.

Cruise passenger rates rose from 24.7 million to 25.8 million passengers from 2016 to 2017. More importantly, on-board bandwidth demands are rising, as passengers increasingly expect the same connectivity on-board as they enjoy at home. Cruise passengers expect to maintain a connection with friends and loved ones while away, in addition to wanting the ability to stream data-rich content. As a result, cruise operators are working with Speedcast to increase bandwidth significantly to ensure a positive guest experience. Currently, the highest throughput delivered to a single ship is approximately 520 Mbps, achieved in 2017. Speedcast is positioned to deliver much more than that number in 2018.

In 2017, the commercial maritime market continued to see migration from narrowband to broadband connectivity, amidst improving macro-economic conditions. Key factors that will differentiate Speedcast in the marketplace will be the development of value-added services (VAS). All major service providers offer basic value-added services, and the most innovative providers will continue to grow their VAS portfolio further to accommodate ever-changing customer needs.

Business Growth

- Harris CapRock Brings in Cruise Market Share: Prior to the Harris CapRock acquisition, Speedcast did not have a large Cruise business. Today the Cruise segment represents close to 20% of overall Speedcast revenues and has seen steady growth in 2017.
- Fred. Olsen Cruise Ship Fleet: UK-based Fred. Olsen cruise lines selected Speedcast to provide end-to-end communication services for voice and data on-board its fleet of four cruise ships. The integration of both satellite and land-based infrastructure allows Fred. Olsen to optimise the use of their ships' on-board networks, and deliver a high-quality customer experience. The network also provides reliable connectivity to connect Fred. Olsen offices with their ships sailing anywhere around the globe.
- Extension of Global Royal Caribbean Cruise Lines Global Fleet: Speedcast extended its contract with the largest consumer of satellite bandwidth in the cruise industry, Royal Caribbean Cruise Lines. As part of the agreement, Speedcast will be further increasing the bandwidth delivered across 37 ships.
- VSAT Installations: In 2017, Speedcast activated 650 new VSAT services for customers, which included more than 150 Fleet Xpress activations. Speedcast has a strong backlog of customers waiting for VSAT service installations in 2018, a majority coming from Fleet Xpress.
- SIGMA Product Family Expansion: Speedcast strengthened its VAS portfolio by expanding the SIGMA family with the introduction of SIGMA Gateway Xtreme
- Prioritising Cybersecurity: Speedcast announced a new cybersecurity service for Speedcast SIGMA customers. Cybersecurity has become an essential need for many shipping companies and for the maritime industry in general, especially after several industry players announced cybersecurity breaches in 2017.

Maritime: Continued Growth in the Cruise Sector and Expansion of Commercial Maritime (continued)

Business Challenges

The cruise industry is relatively concentrated, meaning that long-standing partnerships must be developed and nurtured to build trust with key customers.

In addition, technology challenges are significant for cruise operators. Modem technologies struggle to keep up with the advanced bandwidth demands of passenger ships. Major opportunities exist to provide connectivity services to smaller segments, such as expedition and river cruise ships, however, service availability in the remote regions where such ships sail is often a challenge with today's C- and Ku-band satellites, LTE access and required antenna equipment.

As the Commercial Maritime industry becomes more digitalised, the demand for reliable, always-on services continues to grow. Ship operations require consistent connections to shipping company headquarters to run fleets in optimal fashion, and cloud-based operations will become more common in shipping.

Besides operational efficiency, crew connectivity is becoming an essential service. Crew members increasingly expect shipping companies to provide Internet connection, voice calls and video call capabilities. People are connected ashore and expect the same experience of being able to connect with friends and family when on-board.

Outlook

Since the cruise industry has experienced good growth in recent years (7% annual average passenger growth rate), customers typically have growing budgets for innovative ways to increase passenger satisfaction, in addition to growing bandwidth requirements. To meet this demand, Speedcast has invested in strengthening and consolidating our global network infrastructure.

Speedcast is also building an updated approach to a fully-managed, multi-access technology connectivity offering that is tailored to specific customer needs, offering scalability and flexibility wherever ships sail. Upcoming technologies, such as flat-panel antennas and new satellite constellations, offer a possible solution to current challenges in the expedition and river cruise markets. In addition, Speedcast continues to invest in value-added services, such as entertainment content for guests and crew, cyber security solutions and network optimisation techniques that customers will be able to use to improve their on-board passenger experience and create more value.

Speedcast is a leading service provider in commercial maritime. Our technology-agnostic approach aims to solve customer connectivity challenges by offering multiple solutions for variable connectivity situations and providing the flexibility and reliability customers seek from a service provider.

Speedcast is building upon its robust suite of value-added services, such as extended SIGMA capabilities, 4G/LTE solutions, cybersecurity, remote security, telemedicine, entertainment, training, and remote video streaming/CCTV. With our significant local presence around the world, we are well-positioned to serve all major commercial maritime customers globally.

Government Growth with Rise in Global Spending

Summary

UltiSat experienced strong performance in 2017. The full year revenues were higher than expected ($83.9M vs $78.5M forecasted) demonstrating good dynamics in the Government sector. UltiSat's 2-month contribution to Speedcast's 2017 financials was $14.1M in revenue and $2.4M of EBITDA.

Business Growth

With the acquisition of UltiSat, Speedcast foresees significant growth in its Government business in the medium term. We now have access to U.S. Government opportunities which were not available to us previously. UltiSat is also positioned to leverage all of Speedcast's global capabilities.

Speedcast will leverage UltiSat solutions to create Global Government opportunities while increasing its presence in the NGO/IGO space.

Business Challenges

The 12-month budget cycles that provide funding for the U.S. Government, including potential government shutdowns, could cause challenges within the sector slowing down opportunities and impacting available budgets.

Outlook

According to Northern Sky Research, the global government market is expected to grow to $9.3 billion in revenue by 2025, up from $4.4 billion in 2015.

There is increasing demand by the U.S. Government for satellite communications driven by:

- Increased broadband connectivity needs.
- Operation of manned and unmanned aerial vehicles.
- Monitoring of locations on a global level for treaty compliance and other applications.
- Regions of high military activity (Middle East, SW Asia, NE Asia, Africa).
- Requirements within North America for training and backup purposes.

Business Risks

The Group takes a proactive approach to risk management. The Board is responsible for ensuring that business risks are identified quickly and that appropriate risk mitigation steps are taken in a proactive and timely manner. The Board assesses the risks with the Group's overall strategic objectives and activities in mind. Current key risks identified for the Group are:

Speedcast financial targets are compromised by ongoing global reduction in bandwidth costs

Global bandwidth costs continue to decline. This is caused by bandwidth oversupply, technological innovation, and increased competition. These reductions may impact Speedcast's future financial performance.

Consolidation of the satellite service industry could change the competitive landscape

The satellite service industry is undergoing a period of consolidation. Some of Speedcast's distributors have been acquired by competitors and Speedcast anticipates that other distributors of its services may be acquired by competitors in the future.

Satellite service providers face competition from a range of communications services and new technologies

Satellite communication competes with a number of different methods of transmission, including fibre-optic, Wi-Fi and WiMax. As competing networks expand, satellite communication's competitive advantage in providing connectivity to users outside established networks is reduced.

Geo-political risks

As a consequence of the geographic areas that Speedcast operates in, the Group is exposed to geopolitical and strategic risks. These risks have increased as the Group has grown larger and moved into new markets. The risks include disruption as a result of war, civil unrest, security issues and government intervention. These risks exist predominantly in the Middle East, Russia and certain parts of Latin America, Africa and Asia.

Loss of, or inability to attract, key personnel

Speedcast's success depends to a significant extent on its key personnel. There is significant competition for strong candidates with experience in the satellite services industry, and this competition is expected to increase. The loss of key personnel or the inability to recruit personnel, may adversely affect Speedcast's future financial performance.

Risks relating to acquisitions

Speedcast has historically experienced rapid growth through acquisitions. This growth has placed, and may continue to place, significant demands on management, information reporting resources, and financial and internal controls and systems. In addition, Speedcast's ongoing performance depends on the effective and timely integration of acquisitions. Speedcast also expects to make future strategic acquisitions in circumstances where the Directors believe that those acquisitions support Speedcast's growth strategy and will create value for the Group's shareholders.

Foreign exchange rates

Speedcast's financial reports are presented in United States dollars. However, a substantial proportion of Speedcast's sales revenue, expenditures and cash flows is generated in various other currencies, including Australian dollars and Euros. Further, as Speedcast expands its operations it is expected that it will be exposed to additional currencies. Any adverse exchange rate fluctuations or volatility in the currencies in which Speedcast generates its revenues and cash flows, and incurs its costs, would have an adverse effect on Speedcast's future financial performance and position.

Management Review of the Group's Performance

Statutory reconciliations

The underlying financial results have been presented to provide a better understanding of SpeedCast 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.

	2017 US$'000	2016 US$'000
Statutory revenue	514,173	217,991
Statutory net profit after tax attributable to owners of the Company	5,546	5,897
Acquisition related costs	9,212	7,001
Integration costs	4,044	961
Restructuring costs	6,307	-
Fair value loss on deferred consideration	550	610
Non-recurring foreign exchange (gain)/loss	73	(5,986)
Interest on deferred consideration – finance costs	134	275
Unwinding of fair value adjustments – finance costs	650	-
Accelerated amortisation of loan establishment costs – finance costs	-	1,161
Tax effect of non-recurring costs on underlying results	(2,440)	1,448
Underlying NPAT	24,076	11,367
Add back: Amortisation (net of tax)	21,486	7,876
Underlying NPATA	45,562	19,243

There was no difference between underlying and statutory revenue.

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

	2017 US$'000	2016 US$'000	Change (%)
Total Revenue	514,173	217,991	136%
Underlying EBITDA	122,566	41,535	195%
Depreciation	(42,516)	(11,596)	267%
Amortisation	(28,610)	(9,969)	187%
Underlying EBIT	51,440	19,970	158%
Underlying finance, costs	(23,488)	(5,738)	309%
Underlying income tax expense	(3,876)	(2,865)	35%
Underlying NPAT	24,076	11,367	112%
Add back: Amortisation (net of tax)	21,486	7,876	173%
Underlying NPATA	45,562	19,243	137%

Management Review of the Group’s Performance (continued)

Statutory reconciliations (continued)

- Underlying revenues increased by 136% to $514.2 million (2016: $218.0 million). The revenues in 2017 include the full contribution of the Harris CapRock and UltiSat acquisitions that closed on 1 January and 1 November 2017 respectively.
- Underlying EBITDA of $122.6 million was up 195% on prior year (2016: $41.5 million). EBITDA margin continued to improve from 19.0% to 23.8% as integration synergies and economies of scale are realised.
- Underlying NPATA increased to $45.6 million, compared to $19.2 million in financial year 2016, an increase of 137% year on year.
- Underlying depreciation and amortisation was significantly higher than the comparative period due to the inclusion of the 2017 acquisitions (Harris CapRock and UltiSat) and the full year impact of 2016 acquisitions (USAT, ST Teleport, NewCom and the WINS group).
- The increase in underlying net finance costs is reflective of the increase in the average debt level in 2017 as a consequence of the additional debt drawn to fund the 2017 acquisitions.
- Statutory net cash flows from operating activities, including payment for financing costs and any applicable taxes increased 190% to $79.1 million (2016: $27.3 million).

REMUNERATION REPORT

This Remuneration Report details remuneration information as it applies to Speedcast Group Key Management Personnel ("KMP") for the year ended 31 December 2017 in accordance with the requirements of the Corporations Act 2001 (the Act) and its regulations.

This information has been audited as required by section 208(3C) of the Act. Our remuneration disclosures aim to maintain a high standard of clarity and transparency in communications with all stakeholders. The KMP referenced throughout this report are listed below.

Non-Executive Directors

John Angus Mackay
Michael Stuart Berk
Grant Scott Ferguson
Peter Edward Jackson
Michael Malone
Edward Francis Sippel

Executive Directors

Pierre-Jean Joseph Andre Beylier	Chief Executive Officer

Other KMP

Richard Frank Carden	Executive Vice President, Integration
Piers Cunningham [1]	Executive Vice President, Maritime
Chung Wai Kit [2]	Senior Vice President, Operations and Engineering
Keith Johnson	Chief Operating Officer, Executive Vice President, Energy
Ian Baldwin	Chief Financial Officer
Andrew Burdall [3]	Executive Vice President, Enterprise & Emerging Markets
Athina Vezyri [4]	Executive Vice President, Maritime
David Kagan [5]	Chief Operating Officer
Erwan Emilian [6]	Executive Vice President, Enterprise & Emerging Markets

[1] Piers Cunningham ceased as Executive Vice President, Maritime on 20 September 2017

[2] Chung Wai Kit no longer deemed to be in Key Management Personnel as of 31 May 2017

[3] Andrew Burdall resigned as Executive Vice President, Enterprise & Emerging Markets on 18 October 2017

[4] Athina Vezyri promoted to Executive Vice President, Maritime on 1 January 2017

[5] David Kagan joined Speedcast on 6 March 2017 and resigned as Chief Operating Officer on 1 December 2017

[6] Erwan Emilian joined Speedcast on 15 September 2017

Remuneration Policy

The Board's objective is to ensure that Speedcast Group's remuneration supports achievement of the Company's strategy, and drives performance and behaviours which are in the Company's best interests. Remuneration matters are handled by the Nomination and Remuneration Committee, which is a sub-committee of the Board.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee recommends to the Board the remuneration packages for the KMP on an annual basis. In carrying out its duties, the Nomination & Remuneration Committee assesses the appropriateness of the nature and amount of remuneration on a periodic basis, by reference to relevant local employment market conditions. The overall objective is to ensure maximum stakeholder benefits from the attraction and retention of a high quality executive team. The Nomination and Remuneration Committee forms its own independent decisions on KMP remuneration.

The key principles which govern the Company's remuneration framework are to:

- Link executive rewards to the creation of shareholder value;
- Provide market-competitive remuneration package, with appropriate balance of fixed and variable remuneration;
- Ensure variable portion of executive remuneration is dependent upon meeting pre-determined performance objectives;
- Allow for Board discretion to be applied, in order to ensure that remuneration outcomes are appropriate for the Company's circumstances; and
- Ensure that performance objectives for variable remuneration are aligned to the drivers of the Group's success and the achievement of overall business objectives.

KMP incentive arrangement

Speedcast has established a number of incentive arrangements to enable attraction, motivation and retention of KMP of Speedcast.

The remuneration awarded for 2017 contains the following elements:

- Fixed remuneration;
- Variable remuneration;
- Short-term incentive "STI" (Cash Bonus); and
- Long-term incentive "LTI".

The target allocation of KMP remuneration between base salary and variable remuneration (excluding allowances and non-monetary benefits) for 2017 was as follows.

	Base Salary	STI	LTI
PJ Beylier	45%	23%	32%
I Baldwin	56%	22%	22%
K Johnson	53%	21%	26%
R Carden	63%	25%	12%
T Chung	59%	23%	18%
P Cunningham	62%	19%	19%
D Kagan	42%	16%	42%
A Burdall	53%	21%	26%
A Vezyri	62%	19%	19%
E Emilian	53%	21%	26%

Fixed remuneration (base salary and fixed allowance) is reviewed on an annual basis taking into consideration individual performance and competency, the consolidated entity's performance and market conditions relevant to the role and location.

Both the cash-based short-term incentive and the long-term equity-based incentive are subject to achievement of key performance indicators "KPI" or hurdles set and assessed by the Board.

Remuneration Policy (continued)

KMP incentive arrangement (continued)

For the CEO, the target STI bonus is 50% of base salary, and for other KMP it ranges between 20% and 40% of base salary. Both Financial and non-Financial Key performance indicators "KPI" are set each year and measured at the end of each year.

The 2017 STI performance measures for the CEO were as follows:

- 40% - Group Revenue
- 40% - Group EBITDA
- 20% - EBITDA Cash Conversion

Portion of target STI paid to CEO: 50%

The 2017 STI performance measures for the Other KMP were as follows:

- 25% - Group Revenue
- 25% - Group EBITDA
- 50% - Role specific quantitative measures, including divisional revenue, contribution margin, DSO and capacity utilisation targets, among other measure

Portion of target STI paid to other KMP: 23%

The above measures were chosen as they represent the key milestones on the path to delivering the Group's strategy.

The Board retains discretion to increase or decrease incentive payments to take account of significant events and/or other factors that were not anticipated when the targets were established. To the extent that an individual outperforms the ambitious targets set, it is possible for payout to be received that is in excess of 100% of their STI target.

The Group has very high expectations of Management and sets rigorous targets in each of the performance measures, as it seeks to continue to drive maximum performance. The table below shows the KMP remuneration compared to key performance indicators of the Group.

	2017	2016	2015	2014
Underlying revenue ($m)	514.2	218.0	167.6	121.5
Underlying EBITDA ($m)	122.6	41.5	29.3	20.7
Underlying NPATA ($m)	45.6	19.2	14.8	11.1
Statutory profit ($m)	5.5	5.9	4.3	-6.9
Dividend payment* ($m)	13.3	7.8	5.9	33.1**
Dividend payout ratio (%) (statutory profit)	241.2	133.0	137.7	n/a
Dividend payout ratio (%) (underlying NPATA)	29.1	40.9	40.0	n/a
Increase/ (decrease) in share price*** (%)	53.1	(7.9)	125.5	(5.6)****
Total KMP remuneration as a percentage of underlying EBITDA for the year (%)	3.1%	5.9%	8.4%	14.1%

* 2017 estimated based on year-end exchange rate

** $30m dividend was declared pre-IPO

*** Compound share price growth rate since listing is 38.3%

**** Increase in share price from date of IPO to 31 December 2014

In addition to setting KPIs at a stretch level, the Group also requires the below conditions to be met in order for an individual to become entitled to receive payments under the STI:

- KMP still employed when bonus is paid;
- Group meeting all bank covenants (this operates to ensure that in the pursuit of challenging revenue targets, the executive team is also required to maintain suitable financial discipline in order to receive any bonus).

The STI is not the exclusive method of providing incentive remuneration for employees of Speedcast Group and the Board has discretion to provide other forms of incentive remuneration in appropriate circumstances.

Remuneration Policy (continued)

Long-term Incentive Plan (LTIP)

LTIP's have been established in order to:

- Align the interests of Speedcast's executives with those of shareholders;
- Encourage outperformance against the market; and
- Encourage the retention of key executives.

Participation in the plan, which is approved by the Board, is based on sustained individual performance and value to the Company.

For 2014, 2015 and 2017, LTIP awards have been in the form of performance rights, which on vesting entitle the executive to receive a fully-paid ordinary share in Speedcast, for no consideration. The Board considers that this method of delivering the LTIP allows for the best alignment between the interests of executives and shareholders, as the value of the LTIP will change in tune with the Company's share price. There were no LTIP awards in 2016.

Eligibility	Offers may be made at the Board's discretion to employees of Speedcast or any other person that the Board determines to be eligible to receive a grant under the plan.
Types of securities	The Plan Rules provide flexibility for Speedcast to grant one or more of the following securities as incentives, subject to the terms of individual offers: ▪ Performance rights ▪ Options; and ▪ Restricted shares. Options are an entitlement to receive a share upon payment of an applicable exercise price. Performance rights and restricted shares are an entitlement to receive a share for no consideration.
Offers under the Plan	Offers are made at the Board's discretion. The Board can set the terms and conditions on which it will offer performance rights, options and restricted shares in individual offer documents. The offer documents must contain the information required by the Plan Rules. Offers must be accepted by the employee and can be made on an opt-in or opt-out basis.
Issue price	Unless the Board determines otherwise, no payment is required for a grant of a performance right, option or restricted share under the Plan.
Vesting	Vesting of performance rights, options and restricted shares under the Plan is subject to any vesting or performance conditions determined by the Board and specified in the offer document. Options must be exercised by the employee and the employee is required to pay the exercise price before shares are allocated. Subject to the Plan Rules and the terms of the specific offer document, any performance rights, options or restricted shares will either lapse or be forfeited if the relevant vesting and performance conditions are not satisfied.
Cessation of employment	Under the Plan Rules, the Board has a broad discretion in relation to the treatment of entitlements on cessation of employment. It is intended that individual offer documents will provide more specific information on how the entitlements will be treated if the participating employee ceases employment.
Clawback and preventing inappropriate benefits	The Plan Rules provide the Board with broad "clawback" powers if, amongst other things: The participant has acted fraudulently or dishonestly, has wilfully breached their duties, or the Company is required or entitled under law or company policy to reclaim remuneration from the participants; or The participant's entitlements vest as a result of a fraud, dishonesty or wilful breach of duty of any other person and the Board is of the opinion that the incentives would not have otherwise vested.
Change of control	The Board may determine that all or a specified number of a participant's performance rights, options or restricted shares will vest or cease to be subject to restrictions in a change of control event in accordance with the Plan Rules.
Other terms	The Plan contains customary and usual terms for dealing with administration, variation, suspension and termination of the Plan. The terms of the Plan may be varied in cases where domestic legislation requires.

2017 LTIP Offer

The key terms of the 2017 LTIP arrangement are summarised in the table below:

Participants and value of grant	The participation of the Chief Executive Officer required approval by shareholders at the annual general meeting. The Board obtained approval to grant 114,643 performance rights to Mr Beylier, with a face value of USD 210,230. Participation of other KMP who are not directors of the Company was as follows: ▪ Chief Operating Officer – 100% of base salary; ▪ Chief Financial Officer – 40% of base salary; ▪ EVP, Energy & EVP, Enterprise & Emerging Markets - 50% of base salary; ▪ Other KMP – 20-30% of base salary.
Grant of performance rights	The 2017 LTIP offer comprised of performance rights. A performance right entitles the holder to acquire a share for nil consideration at the end of the performance period, subject to meeting specific performance conditions. The number of performance rights granted was based on a fixed percentage of the relevant participant's annual fixed remuneration and was issued to the participant at no cost.
Performance conditions, performance period and vesting	The performance condition must be satisfied in order for the performance right to vest. For the LTIP schemes: ▪ 50% of the total performance rights will vest subject to the achievement of a Total Shareholder Return (TSR) performance target for the Company that exceeds the performance of the S&P/ASX Small Ordinaries Index (AUD) (Index) over the performance period and subject to the participant being an employee at the end of the performance period ("TSR component"); and ▪ 50% of the performance rights will vest solely subject to the participant being an employee at the end of the performance period ("service component"). Performance against the above conditions will be assessed by the Board as soon as practicable following the completion of the performance period (31 December 2020). Performance rights that remain unvested following this assessment will lapse immediately.
Vesting conditions – TSR component	Full vesting of the TSR component can only occur when the TSR performance of the Company is at least equal to the performance of the Index over the performance period. Where the Company's TSR performance does not meet this threshold, there is no vesting unless the Board exercises its discretion to allow partial vesting of up to 50%.
Rights associated with performance rights	The performance rights do not attract dividends, voting rights or any capital distributions.
Restrictions on dealing	Participants must not sell, transfer, encumber, hedge or otherwise deal with performance rights.
Cessation of employment	If the participant ceases employment for death, permanent disability or is otherwise determined to be a "good leaver" by the Board, unvested performance rights will vest in full, unless otherwise determined by the Board. If the participant ceases employment in any other circumstances, all unvested performance rights will lapse, unless otherwise determined by the Board.
Change of control	In a situation where there is likely to be a change of control, the Board has the discretion to accelerate vesting of some or all of the performance rights. Where only some of the performance rights are vested on a change of control, the remainder of the performance rights will immediately lapse.

For the 2017 LTIP award, the Board determined that the relative TSR measure against a comparator group comprising the ASX/S&P Small Cap index was appropriate for measuring the long-term performance of the executive team, as Speedcast was competing for investment with other companies in that index. The Board is considering whether a change in comparator groups is appropriate for future awards.

The Board has determined that linking the remainder of the LTI performance rights to continued service with Speedcast is in the best interests of retaining the talented executives who are necessary to the achievement of the Company's strategy. Speedcast operates in a highly specialised field, and many of its senior executives are based in markets (such as Hong Kong, USA and certain other key markets) where longer-term incentives are typically linked solely or partially to continued service.

Remuneration Policy (continued)

Legacy LTI - Restricted Management Rights

Restricted Management Rights ("RMR") were issued by the Company under the equity incentive plan in previous financial years. The RMR effectively replace certain rights to shares of Speedcast Acquisitions Limited which were issued by Speedcast Acquisitions Limited to certain employees of Speedcast prior to the Prospectus Date. The issue of RMR in substitution for existing rights held by Management comprises an additional component of the corporate restructure undertaken during that year.

The Company made an offer of rights to acquire Shares in the Company to the affected members of Senior Management. The offer of RMR is made on the terms set out below and pursuant to the Plan Rules.

Further details of the offer are set out below:

Participants	The RMR was granted to certain members of the Senior Management that the Board determines to be eligible to receive a right.
Grant date, grant conditions and timing of future offers	The RMR was granted in October 2013, February 2014 and June 2014. There will be no future grants of RMR.
Grants of RMR	Each RMR will entitle the holder to acquire a share for nil consideration at the end of the relevant vesting period, subject to meeting the vesting condition. The number of RMR granted is 1,120,674 and RMR is issued to the participants at no cost. No exercise price is payable in respect of the RMR.
Vesting condition and vesting periods	The offer is divided into tranches of RMR with different vesting periods. Each tranche of RMR will vest subject to the satisfaction of the vesting condition over the vesting period relevant to that tranche. The vesting condition is continued employment with Speedcast. Vesting will occur over a total period of four years from grant date. ▪ For each tranche, the vesting condition must be satisfied at the end of the relevant vesting period for that tranche in order for the RMR to vest. The tranches and vesting period is as follows: ▪ 25% of the RMR will vest 12 months after grant date if the participant remains in employment with Speedcast (first tranche); and ▪ Following vesting of the first tranche, at the end of each three month period another 6.25% of the RMR will vest of the participant remains in the employment with Speedcast. The RMR in each tranche will lapse immediately if the vesting condition for that tranche is not satisfied at the end of the relevant vesting period.
Entitlements associated with RMR	The RMR do not attract dividends, voting rights or any capital distributions.
Restrictions on dealing	Participants must not sell, transfer, encumber, hedge or otherwise deal with RMR. Shares acquired by participants on vesting of their RMR will be subject to the Company's Securities Dealing Policy.
Cessation of employment	If the participant resigns or the Company terminates the participant's employment in accordance with their employment contract, all unvested RMR will lapse, unless otherwise determined by the Board.
Change of control	In a situation where there is likely to be a change of control, the Board has the discretion to accelerate vesting of some or all of the RMR. Where only some of the RMR are vested on a change of control, the remainder of the RMR will immediately lapse.

Executive Service Agreements

Remuneration and other employment terms for the CEO and other key management personnel are formalised in a contract of employment. The main terms and conditions of the contracts are set out below.

Name	Position	Term	Employment location	Notice Period	Termination Period [1]
Pierre-Jean Beylier	Chief Executive Officer	Open Ended	Hong Kong	3 months	3 months
Richard Frank Carden	Executive Vice President, Integration	Open Ended	Singapore	2 months	2 months
Piers Cunningham [3]	Executive Vice President, Maritime	Open Ended	Australia	3 months	3 months
Chung Wai Kit [4]	Senior Vice President, Operations & Engineering	Open Ended	Hong Kong	3 months	3 months
Keith Johnson	Chief Operating Officer, Executive Vice President, Energy	Open Ended	U.S.A	3 months	3 months [2]
Ian Baldwin	Chief Financial Officer	Open Ended	Australia	3 months	3 months
Andrew Burdall [5]	Executive Vice President, Enterprise & Emerging Markets	Open Ended	Australia	3 months	3 months
Athina Vezyri [6]	Executive Vice President, Maritime	Open ended	Greece	3 months	3 months
David Kagan [7]	Chief Operating Officer	Open ended	U.S.A	3 months	2 months
Erwan Emilian [8]	Executive Vice President, Enterprise & Emerging Markets	Open ended	Switzerland	3 months	3 months

1 Termination with notice and without cause.

2 30 days' notice if with good reason.

3 Piers Cunningham ceased as Executive Vice President, Maritime on 20 September 2017

4 Chung Wai Kit no longer deemed to be in Key Management Personnel as of 31 May 2017

5 Andrew Burdall resigned as Executive Vice President, Enterprise & Emerging Markets on 18 October 2017

6 Athina Vezyri promoted to Executive Vice President, Maritime on 1 January 2017

7 David Kagan joined Speedcast on 6 March 2017 and resigned as Chief Operating Officer on 1 December 2017

8 Erwan Emilian joined Speedcast on 15 September 2017

Loans to KMP

There are no outstanding loans to KMP as at 31 December 2017 (2016: nil).

Non-Executive Directors

The Board decides the remuneration from the Company to which each non-executive Director is entitled for his or her services as a Director. However, the total amount provided to all Directors for their services as Directors must not exceed in aggregate in any financial year the amount fixed by the Company in the annual general meeting. This amount has been fixed at USD 500,000.

For 2017, the annual base non-executive Director fee to be paid by the Company are USD 102,500 to the Chairman, USD 75,000 to each other non-executive Director and an additional USD 10,000 to the chair of Audit, Business Risk and Compliance Committee and an additional USD 5,000 to the chair of the Nomination and Remuneration Committee.

Michael Berk and Edward Sippel do not receive fees for acting as Directors of Speedcast.

Remuneration of Key Management Personnel

			Short term benefits				Post-employment		
Name	Position		Cash Salary and Fees US$	Fixed Allowance US$	Short Term Incentive (Cash Bonus) US$	Non-Monetary benefits US$	Superannuation or equivalent US$	Share-based payments US$	Total Remuneration US$
Non-Executive Directors									
John Angus Mackay	Independent Non-Executive Director	2017	102,500	-	-	-	-	-	102,500
		2016	65,000	-	-	-	-	-	65,000
Michael Stuart Berk	Non-Executive Director	2017	-	-	-	-	-	-	-
		2016	-	-	-	-	-	-	-
Grant Scott Ferguson	Independent Non-Executive Director	2017	85,000	-	-	-	-	-	85,000
		2016	60,000	-	-	-	-	-	60,000
Peter Edward Jackson	Independent Non-Executive Director	2017	80,000	-	-	-	-	-	80,000
		2016	55,000	-	-	-	-	-	55,000
Michael Malone	Independent Non-Executive Director	2017	75,000	-	-	-	-	-	75,000
		2016	50,000	-	-	-	-	-	50,000
Edward Francis Sippel	Non-Executive Director	2017	-	-	-	-	-	-	-
		2016	-	-	-	-	-	-	-
Sub-total Non-Executive Directors		2017	342,500	-	-	-	-	-	342,500
		2016	230,000	-	-	-	-	-	230,000
Executive Directors									
Pierre-Jean Joseph Andre	Chief Executive Officer	2017	480,855	44,084	120,220	12,245	72,128	312,839	1,042,371
Beylier		2016	457,957	41,781	76,000	12,395	68,693	80,208	737,034

Remuneration of Key Management Personnel (continued)

Name	Position		Short term benefits: Cash Salary and Fees US$	Short term benefits: Fixed Allowance US$	Short term benefits: Short Term Incentive (Cash Bonus) US$	Short term benefits: Non-Monetary benefits US$	Post-employment: Superannuation or equivalent US$	Share-based payments US$	Total Remuneration US$
Other KMP									
Richard Frank Carden	Executive Vice President, Integration	2017	129,620	-	-	1,714	8,968	93,010	233,312
		2016	208,301	-	-	3,639	35,411	64,922	312,273
Piers Cunningham [1]	Executive Vice President, Maritime	2017	105,263	8,290	-	-	9,398	28,002	150,953
		2016	122,416	11,087	-	-	11,630	22,766	167,899
Chung Wai Kit [2]	Senior Vice President, Operations &	2017	81,439	256	6,787	3,853	12,216	18,397	122,948
	Engineering	2016	187,937	615	-	4,241	28,191	11,774	232,758
Keith Jimmie Johnson	Chief Operating Officer, Executive Vice	2017	309,750	7,200	64,531	24,085	12,372	83,710	501,648
	President, Energy	2016	295,000	13,740	-	30,569	14,750	24,785	378,844
Ian Baldwin	Chief Financial Officer	2017	289,071	-	-	-	19,710	75,898	384,679
		2016	266,445	-	30,000	-	26,262	24,536	347,243
Andrew Burdall [3]	Executive Vice President, Enterprise &	2017	181,048	4,382	-	-	15,120	(18,768)	181,782
	Emerging Markets	2016	41,358	2,772	-	-	3,929	8,959	57,018
Athina Vezyri [4]	Executive Vice President, Maritime	2017	279,269	-	62,500	19,437	18,571	33,404	413,181
		2016	-	-	-	-	-	-	-
David Kagan [5]	Chief Operating Officer	2017	262,500	-	-	18,179	-	-	280,679
		2016	-	-	-	-	-	-	-
Erwan Emilian [6]	Executive Vice President, Enterprise &	2017	68,544	-	9,792	-	11,946	-	90,282
	Emerging Markets	2016	-	-	-	-	-	-	-
Total KMP remuneration		2017	2,529,859	64,212	263,830	79,513	180,429	626,492	3,744,335
		2016	1,809,414	69,995	106,000	50,844	188,866	237,950	2,463,069

1 Piers Cunningham ceased as Executive Vice President, Maritime on 20 September 2017

2 Chung Wai Kit no longer deemed to be in Key Management Personnel as of 31 May 2017

3 Andrew Burdall was promoted to Senior Vice President, Enterprise and Emerging Markets on 1 October 2016. He resigned on 18 October 2017.

4 Athina Vezyri promoted to Executive Vice President, Maritime on 1 January 2017

5 David Kagan joined Speedcast on 6 March 2017 and resigned as Chief Operating Officer on 1 December 2017

6 Erwan Emilian joined Speedcast on 15 September 2017

Fixed Allowance	Education allowance to PJ Beylier Transportation allowance to Chung Wai Kit Car allowance to Keith Johnson, Piers Cunningham and Andrew Burdall
Short Term Incentive	Cash based bonus
Superannuation or equivalent	MPF plus voluntary contribution in Hong Kong CPF in Singapore Social security in Greece & Switzerland Superannuation in Australia 401k plan in United State of America
Non-monetary benefits	Company Car, Medical, Dental and Life insurance to PJ Beylier Medical, Dental and Life insurance to Richard Carden and Chung Wai Kit Business travel, Group Health, Dental and Disability insurance to Keith Johnson and David Kagan Medical insurance to Athina Vezyri

Movement in Performance Rights for the year ended 31 December 2017

Name	Held at 1 January 2017	Granted as compen-sation	Exercised	Lapsed	Forfeited	Held at 31 December 2017	Vested during the year	Vested and exercisable at 31 December 2017 [7]
Executive Directors								
Pierre-Jean Beylier	314,178	114,643	-	-	-	428,821	(117,030)	117,030
Other KMP								
Richard Frank Carden	73,921	19,226	-	-	-	93,147	(44,751)	44,751
Piers Cunningham [1]	26,759	13,487	-	-	-	n/a	n/a	n/a
Chung Wai Kit [2]	36,321	20,163	-	-	-	n/a	n/a	n/a
Keith Johnson	61,284	52,749	-	-	-	114,033	-	-
Ian Baldwin	60,667	39,141	-	-	-	99,808	-	-
Andrew Burdall [3]	40,104	30,377	-	-	(70,481)	-	-	-
Athina Vezyri [4]	-	26,822	-	-	-	26,822	-	-
David Kagan [5]	-	125,168	-	-	(125,168)	-	-	-
Erwan Emilian [6]	-	-	-	-	-	-	-	-

1 Piers Cunningham ceased as Executive Vice President, Maritime on 20 September 2017

2 Chung Wai Kit no longer deemed to be in Key Management Personnel as of 31 May 2017

3 Andrew Burdall resigned as Executive Vice President, Enterprise & Emerging Markets on 18 October 2017

4 Athina Vezyri promoted to Executive Vice President, Maritime on 1 January 2017

5 David Kagan joined Speedcast on 6 March 2017 and resigned as Chief Operating Officer on 1 December 2017

6 Erwan Emilian joined Speedcast on 15 September 2017

7 LTIP 2014 Shares vested on 31 December 2017, all performance conditions were met and the Shares were exercised and issued on 1 March 2018

Movement in Restricted Management Rights for the year ended 31 December 2017

Name	Held at 1 January 2017	Granted as compen-sation	Exercised	Lapsed	Forfeited	Held at 31 December 2017	Vested during the year	Vested and exercisable at 31 December 2017
Richard Frank Carden	233,472	-	(133,412)	-	-	100,060	(133,412)	-
Piers Cunningham [1]	33,354	-	(19,059)	-	-	n/a	(19,059)	-
Andrew Burdall [2]	33,354	-	(19,059)	-	(14,295)	-	(19,059)	-

1 Piers Cunningham ceased as Executive Vice President, Maritime on 20 September 2017

2 Andrew Burdall resigned as Executive Vice President, Enterprise & Emerging Markets on 18 October 2017

Key Management Personnel Shareholdings

Name	Total shares held as at 31 December 2016	Movements during the year	Total shares held as at 31 December 2017	% of shareholding
Non-Executive Directors				
John Mackay	289,210	-	289,210	0.12%
Michael Berk [1]	-	-	-	-
Grant Ferguson	432,016	-	432,016	0.18%
Peter Jackson	279,210	-	279,210	0.12%
Michael Malone	272,376*	-	272,376	0.11%
Edward Sippel [2]	-	-	-	-
Executive Director				
Pierre-Jean Beylier	8,157,903*	-	8,157,903	3.41%
Other KMP				
Richard Frank Carden	462,255	133,412	595,667	0.25%
Piers Cunningham [3]	107,711	19,059	n/a	n/a
Chung Wai Kit [4]	459,968	-	n/a	n/a
Keith Jimmie Johnson	-	-	-	-
Ian Baldwin	-	-	-	-
Andrew Burdall [5]	102,611	19,059	n/a	n/a
Athina Vezyri [6]	-	1,425,497 [7]	1,425,497	0.60%
David Kagan [8]	-	-	n/a	n/a
Erwan Emilian [9]	-	-	-	-
	10,563,260	1,597,027	11,451,879	

1 Michael Berk has an indirect interest in shares held by TA Investors IV, L.P.

2 Edward Sippel has an indirect interest in shares held by TA Investors IV, L.P.

3 Piers Cunningham ceased as Executive Vice President, Maritime on 20 September 2017.

4 Chung Wai Kit no longer deemed to be in Key Management Personnel as of 31 May 2017, there were no share movements during his period as a KMP.

5 Andrew Burdall resigned as Executive Vice President, Enterprise & Emerging Markets on 18 October 2017. Share movement in period as a KMP relates to RMR.

6 Athina Vezyri promoted to Executive Vice President, Maritime on 1 January 2017.

7 Shares issued to Athina Vezyri in related to the deferred consideration on the SAIT acquisition.

8 David Kagan joined Speedcast on 6 March 2017 and resigned as Chief Operating Officer on 1 December 2017, there were no share movements during his period as a KMP.

9 Erwan Emilian joined Speedcast on 15 September 2017.

* Restated.

Auditor's Independence Declaration

As lead auditor for the audit of Speedcast International Limited for the year ended 31 December 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 audit; and

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

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

Andrew Forman
Partner
PricewaterhouseCoopers

Adelaide
29 March 2018

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 US$'000	2016 US$'000
Revenue from continuing operations	6	514,173	217,991
Cost of equipment and bandwidth services		(245,810)	(134,630)
Other gains/(losses)	7	(1,078)	8,268
Staff costs	8	(91,520)	(31,072)
Acquisition related costs		(9,212)	(7,001)
Integration costs		(4,044)	(961)
Restructuring costs		(6,307)	-
Other expenses	9	(53,831)	(13,647)
Depreciation of property, plant and equipment	17	(42,516)	(11,596)
Amortisation of intangible assets	18	(28,610)	(9,969)
Finance costs, net	10	(24,272)	(7,174)
Profit before income tax		6,973	10,209
Income tax expense	11	(1,436)	(4,312)
Profit/(loss) for the year		5,537	5,897
Attributable to:			
Owners of the Company	24	5,546	5,897
Non-controlling interests	24	(9)	-
Other comprehensive income			
Item that may be reclassified to profit and loss			
Currency translation difference	24	13,176	(13,052)
Change in fair value of interest rate swap cash flow hedges	24	1,054	-
Other comprehensive income/(loss) for the year		14,230	(13,052)
Total comprehensive income/(loss) for the year		19,767	(7,155)
Attributable to:			
Owners of the Company		19,778	(7,155)
Non-controlling interests		(11)	-

Earnings per share

	Note	2017	2016
■ Basic profit per share (cents)	26	2.32	4.16
■ Diluted profit per share (cents)	26	2.30	4.12

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	2017 US$'000	2016 US$'000
ASSETS			
Current assets			
Cash and cash equivalents	14	54,844	25,341
Trade and other receivables	15	151,648	63,520
Inventories	16	15,661	5,807
Other financial assets – funds held in escrow		-	422,380
Income tax receivable		4,196	396
Total current assets		226,349	517,444
Non-current assets			
Interests in joint ventures		-	190
Property, plant and equipment	17	95,188	44,789
Goodwill and intangible assets	18	623,013	171,401
Deferred tax assets	19	9,438	2,808
Other receivables	15	2,574	813
Derivative financial instruments	23	1,506	-
Total non-current assets		731,719	220,001
Total assets		958,068	737,445
LIABILITIES			
Current liabilities			
Trade and other payables	20	166,284	64,372
Obligations under finance leases	21	9	3,057
Income tax payable		5,255	5,106
Total current liabilities		171,548	72,535
Non-current liabilities			
Borrowings	22	432,213	368,310
Deferred tax liabilities	19	18,648	6,295
Obligations under finance leases	21	18	34
Other payables	20	29,520	18
Total non-current liabilities		480,399	374,657
Total liabilities		651,947	447,192
Net assets		306,121	290,253
EQUITY			
Equity attributable to owners of the Company			
Contributed equity	24	364,690	361,392
Other reserves	24	1,190	(13,915)
Accumulated losses	24	(60,464)	(57,224)
Equity attributable to owners of the Company		305,416	290,253
Non-controlling interests	24	705	-
Total equity		306,121	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 year	-	5,897	-	5,897	-	5,897
Other comprehensive income	-	-	(13,052)	(13,052)	-	(13,052)
Total comprehensive income	-	5,897	(13,052)	(7,155)	-	(7,155)
Dividends (note 25)	-	(6,643)	-	(6,643)	-	(6,643)
Issue of ordinary shares	280,228	-	-	280,228	-	280,228
Capital raising costs, net of tax	(3,876)	-	-	(3,876)	-	(3,876)
Employee share scheme – issue of shares (note 24)	148	-	(148)	-	-	-
Employee share scheme – value of employee services (notes 8 and 12)	-	-	456	456	-	456
	276,500	(6,643)	308	270,165	-	270,165
Balance at 31 December 2016	361,392	(57,224)	(13,915)	290,253	-	290,253
Balance at 1 January 2017	361,392	(57,224)	(13,915)	290,253	-	290,253
Profit/(loss) for the year	-	5,546	-	5,546	(9)	5,537
Other comprehensive income	-	-	14,232	14,232	(2)	14,230
Total comprehensive income	-	5,546	14,232	19,778	(11)	19,767
Dividends (note 25)	-	(8,786)	-	(8,786)	-	(8,786)
Shares issued in relation to SAIT deferred consideration (note 34)	3,150	-	-	3,150	-	3,150
Business combinations (note 28)	-	-	-	-	716	716
Employee share scheme – issue of shares (note 24)	148	-	(148)	-	-	-
Employee share scheme – value of employee services (notes 8 and 12)	-	-	1,021	1,021	-	1,021
	3,298	(8,786)	873	(4,615)	716	(3,899)
Balance at 31 December 2017	364,690	(60,464)	1,190	305,416	705	306,121

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

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	2017 US$'000	2016 US$'000
Cash flows from operating activities			
Cash receipts from customers		536,963	212,531
Cash paid to suppliers		(430,331)	(174,633)
Finance costs paid		(15,859)	(5,986)
Interest received		1,090	255
Taxes paid		(12,804)	(4,865)
Net cash inflows from operating activities	27	79,059	27,302
Cash flows from investing activities			
Payments for acquisition of businesses, net of cash acquired	28, 34	(477,891)	(84,697)
Receipt/(payment) of funds held in escrow		422,380	(422,380)
Business acquisition transaction costs		(12,028)	(7,439)
Payments for property, plant and equipment		(26,948)	(12,960)
Proceeds from disposal of property, plant and equipment		3,371	551
Payments for intangible assets		(5,558)	(2,594)
Net cash (outflows) from investing activities		(96,674)	(529,519)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares		-	277,975
Transaction costs of issuance of ordinary shares		(550)	(3,326)
Proceeds from borrowings, net of transaction costs		61,945	419,447
Repayment of borrowings		(1,723)	(158,117)
Dividend paid		(8,750)	(6,643)
Repayments of obligations under finance leases		(3,065)	(5,114)
Net cash inflows from financing activities		47,857	524,222
Net increase in cash and cash equivalents		30,242	22,005
Cash and cash equivalents at beginning of the year		25,341	15,114
Effects of exchange rate changes on cash and cash equivalents		(739)	(11,778)
Cash and cash equivalents at the end of the year	14	54,844	25,341

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 Background and summary of significant changes

This financial report covers the consolidated financial statements and notes of Speedcast International Limited (henceforth "SIL" or "the Company"), and its controlled entities (the "Group" or "Speedcast").

During the year, the financial position and performance of the Group was particularly affected by the following events and transactions during the reporting period.

The Group completed two significant acquisitions in 2017:

- The acquisition of Harris CapRock Comunications ("Harris CapRock"), a leading provider of communications networks for remote and harsh environments, primarily in the maritime and energy markets, was completed on 1 January 2017. The acquisition funds were in escrow as at 31 December 2016.
- The acquisition of 100% of the share capital of UltiSat Inc. ("UltiSat"), a provider of satellite communication predominantly to the government sector, was completed on 1 November 2017.

2 Summary of significant accounting policies

SIL is a company limited by shares, incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange ("ASX").

The financial report was authorised for issue by the Board of Directors on 29 March 2018. The Directors have the power to amend and reissue the financial statements.

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. The financial statements are for the consolidated entity consisting of Speedcast and its subsidiaries.

Where appropriate, comparative information has been amended to be consistent with current year disclosures.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001. The Company is a for-profit entity for the purpose of preparing the financial statements.

Compliance with IFRS

These financial statements also comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for the circumstances when fair value method has been applied as detailed in the accounting policies below.

New and amended standards adopted by the Group

The Group adopted the following new or revised accounting standards which 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.

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2017 reporting period and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

AASB 15 *Revenue from contracts with customers* and AASB 2014-5 *Amendments to Australian Accounting Standards arising from AASB15*

AASB 15 establishes a comprehensive framework for determining the timing and quantum of revenue recognised. It replaces existing guidance, including AASB 118 *Revenue* and AASB 111 *Construction Contracts*. The core principle of AASB 15 is that an entity shall recognise revenue when control of a good or service transfers to a customer. The standard becomes mandatory for reporting periods beginning on or after 1 January 2018. The standard permits a full retrospective or a modified retrospective approach to the adoption.

The Group has assessed the impact on its consolidated financial statements resulting from the application of the new standard. The timing of recognition of revenue and expenses may be affected however the standard is not expected to have a significant impact on the overall annual revenues or profit. The following areas are identified as having the most impact to the consolidated entity:

- Currently sales commissions payable on winning contracts are expensed as incurred. As these costs are expected to be recovered over the contracts to which they relate under the new standard these costs will be capitalised and amortised over the contract;
- Under certain contracts fees are charged for the installation of leased equipment whereas under other contracts there is no specific charge and the costs are recovered through the ongoing provision of broadband services. The new standard may, in certain contracts, require an element of revenue to be recognised and held as accrued income on contracts where no specific fee is chargeable; and
- The new standard requires significant increases in disclosures in relation to revenue derived from contracts, key judgements and future revenues expected to be generated.

AASB 9 *Financial instruments (revised December 2014)* and AASB 2014-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)*

AASB 9 replaces AASB 139 *Financial Instruments – Recognition and Measurement*. AASB 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculation of impairment on financial assets, and new general hedge accounting requirements. The standard carries forward guidance on recognition and derecognition of financial instruments from AASB 139. The standard is mandatory for reporting periods commencing from 1 January 2018.

The Group has assessed the impact on its consolidated financial statements resulting from the application of the new standard:

- With the exception of the provision held against trade receivables, as described below, there is no significant impact on the classification and measurement of financial assets or liabilities;
- Existing hedge relationships continue to qualify for hedge accounting. No existing relationships will be designated as hedging relationships following the application of this standard; and
- The new impairment model requires the recognition of impairment provisions based on an "expected loss" model, with a provision to be held based on the probability weighted average of the outcome of recovery of financial assets including trade receivables. Under the current standard an incurred loss model is applied such that provisions are raised on individual receivables when it is deemed probable a loss will be incurred. The application of the new standard is expected to result in an increase to the bad debt provision. The Group is currently assessing the quantum of the provision across all of the entities within the Group, including the significant acquisitions undertaken in the current and prior financial years, and the interaction with the new standard and the fair value of the financial assets acquired as assessed under AASB 3.

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

AASB 16 *Leases*

AASB 16 *Leases* specifies how to recognise, measure and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for almost all leases. AASB 16 applies to annual reporting periods beginning on or after 1 January 2019.

As at the reporting date, the Group has non-cancellable undiscounted operating lease commitments of USD 29,154,000, refer to note 29. The Group predominantly leases land and buildings for use in its operations. Following the large acquisitions of Harris CapRock and UltiSat, the Group is in the process of restructuring and optimising its rental portfolio to minimise cash outflow and as such the Group has not quantified the effect of the new standard, however the following impacts are expected:

- the total assets and liabilities on the balance sheet will increase, as a liability is recorded representing the fair value of future lease payments and a corresponding asset is also recorded;
- a decrease in the Group's net assets is expected due to the reduction of the capitalised asset being on a straight line basis whilst the liability reduces by the principle amount of repayments. Net current assets will show a larger decrease due to an element of the liability being disclosed as current;
- the profit and loss of the consolidated entity will be more susceptible to changes in foreign currency exchange rates. Entities within the Group predominantly have USD functional currencies due to the majority of the sales and cost of sales being incurred in USD. Operating leases tend to be denominated in the currency of the country of operation. The right of use asset is held at cost and not revalued however the liability is financial in nature so is subject to revaluations through the statement of profit or loss;
- interest expenses of the Group will be higher on application of the new standard due to the unwinding of the effective interest rate implicit in the initial liability recognised. Interest expenses on a specific lease will be higher early in the life of a lease due to the higher principal liability and lower later in the life of a lease, hence causing profit volatility over the course of a leases life. This effect is expected to be partially mitigated due to the number of leases held with varying start and end dates; and
- operating cash flows will be higher as repayment of the principle portion of all lease liabilities will be classified as financing activities.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Critical accounting estimates and judgments

The preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates. It also requires Management to exercise its judgment in the process of adopting the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 5.

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 statements have been rounded off in accordance with that class order to the nearest thousand dollars.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 33.

2 Summary of significant accounting policies (continued)

(b) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Group as at 31 December 2017 and the results of all subsidiaries for the year then ended. The Company and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

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

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

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

(c) Foreign currency translation

(i) Functional currency

The functional currency for each entity in the Group, and for joint arrangements and associates, is the currency of the primary economic environment in which that entity operates. For many entities, this is Unites States Dollars ("US$, "USD" or "US Dollar") but for certain entities this is the currency of the country in which they are located.

(ii) Transactions and balances

Transactions denominated in other currencies are converted to the functional currency at the exchange rate prevailing at the date of the transaction or valuation where items are re-measured. Monetary assets and liabilities denominated in foreign currencies are retranslated at year end exchange rates.

Foreign exchange gains and losses that relate to borrowings are presented in the Consolidated Statement of Profit or Loss and Other Comprehensive Income within 'Other gains/(losses)'. All other foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income within 'Other gains/(losses)'.

(iii) Presentation currency

The Group's financial statements are presented in United States Dollars, as that presentation currency most reliably reflects the global business performance of the Group as a whole. On consolidation, income statement items for each entity are translated from the functional currency into USD at average rates of exchange where the average is a reasonable approximation of rates prevailing on the transaction date. The Consolidated Statement of Financial Position items are translated into USD at period end exchange rates.

Exchange differences arising from the translation of the net assets of entities with functional currencies other than USD are recognised directly in the 'Foreign currency translation reserve'. These translation differences are shown as other comprehensive income in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

2 Summary of significant accounting policies (continued)

(d) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair value as at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be a financial liability are recognised in profit and loss in accordance with AASB 139 *Financial Instruments – Recognition and Measurement*. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Where the Group has not finalised the fair value assessment and verifications of individual assets or liabilities of acquired businesses are in progress as at the reporting date, the fair value of individual assets or liabilities acquired during the current financial year and the amounts of goodwill to be recorded are based on the Director's best estimation. Any adjustments will be recorded upon finalisation of the purchase price allocation, which must occur within twelve months of acquisition date.

(e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods and services supplied, net of discounts returns and value added taxes.

The Group recognises revenue when the amount of revenue and costs can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below:

(i) Broadband access revenue

Broadband access revenue includes network services for the provision of VSAT (Very Small Aperture terminal) access and MSS (Mobile Satellite Services) access and the sale of VOIP (Voice Over Internet Protocol) data as well as the related value-add activities of the provision of these services. Revenue is recognised as the access is provided or when the related services are rendered.

(ii) Sale of broadband access equipment

Sale of equipment required to connect to the relevant a network is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when goods are delivered to customers and title is passed.

(iii) Interest income

Interest income is recognised using the effective interest method.

2 Summary of significant accounting policies (continued)

(f) Goodwill

Goodwill arises on the acquisition of a business and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from a business combination upon which goodwill arose. Each cash-generating unit or groups of units to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes, being the operating segments.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of cash-generating units are compared to their recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is taken first to goodwill and is recognised immediately as an expense and is not subsequently reversed.

(g) Intangible assets

Intangible assets have been identified by the Group in the form of customer relationships, supplier contracts, trademarks and brand names, research and development and software.

Intangible assets acquired in a business combination are recognised at fair value at the acquisition date. They have a finite useful life and are carried at cost less accumulated amortisation.

Development costs that are directly attributable to the design and testing of identifiable and unique products controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the project;
- management intends to complete the project and either use or sell it;
- there is an ability to use or sell the asset;
- it can be demonstrated how the asset will generate probable future economic benefit;
- adequate technical, financial and other resources to complete the development and to use or sell the software are available; and
- the expenditure attributable to the asset during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the asset include employee costs and an appropriate portion of relevant overheads.

Research costs are expenses as incurred unless they are acquired through a business combination. Costs associated with maintaining intangible assets are recognised as an expense as incurred.

Amortisation is calculated using the straight-line method over the expected life of the assets, as follows:

Customer relationships	4 to 12 years
Supplier contracts	5 years
Trademarks and Brand names	4 to 20 years
Software	1 to 7 years
Research and Development	6 years

2 Summary of significant accounting policies (continued)

(h) Impairment of assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested for impairment annually, or more frequently if indicators of impairment exist. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Non-financial assets, other than goodwill, that have suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(i) Cash and cash equivalents

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

(j) Trade receivables

Trade receivables are amounts due from customers for equipment sold or services performed in the ordinary course of business. If collection of trade receivables is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

(k) Financial assets

(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. They are included in current assets, except for those with maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. Loans and receivables are recognised initially at fair value and subsequently carried at amortised cost using the effective interest method.

(ii) Impairment of financial assets carried at amortised cost

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

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligor; and
- a breach of contract, such as default or delinquency in interest or principal payments.

2 Summary of significant accounting policies (continued)

(k) Financial assets (continued)

(ii) Impairment of financial assets carried at amortised cost (continued)

The amount of any impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

(l) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the average cost method and comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less applicable costs necessary to make the sale.

(m) Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, at the following rates per annum:

Office equipment	5 to 7 years
Plant and equipment	2 to 17 years
Leasehold improvements	2 to 10 years
Motor vehicles	3 to 5 years

2 Summary of significant accounting policies (continued)

(m) Property, plant and equipment (continued)

Assets held under finance lease are depreciated over the shorter of their expected useful lives or the term of the lease.

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are recognised within 'Other gains/(losses)' or 'Other expenses' in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

(n) Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

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

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

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except for deferred income tax liability where the timing of reversal of the temporary differences is controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(o) Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers and service providers. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, unless the effect of discounting is insignificant and in which case they are stated at historical cost.

2 Summary of significant accounting policies (continued)

(p) Provisions

Provisions for asset retirement obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in a provision due to passage of time is recognised as interest expense.

(q) Employee benefits

(i) Pension obligations

The Group participates in defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognised as employee benefit expense when they are due and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(ii) Performance-based bonus

The expected costs of performance-based bonuses are recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for performance-based bonuses are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

(iii) Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the equity instruments is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the equity instruments granted: (i) including any market performance conditions; (ii) excluding the impact of any service and nonmarket performance vesting conditions (for example, profitability and sales growth targets); and (iii) including the impact of any non-vesting conditions. Non-market vesting conditions are included in assumptions about the number of shares that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the Group revises its estimates of the number of equity instruments that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in the Consolidated Statement of Profit or Loss and Other Comprehensive Income, with a corresponding adjustment to equity.

2 Summary of significant accounting policies (continued)

(q) Employee benefits (continued)

(iv) Leave provisions

The liability for accruing annual leave and long service leave is recognised in 'Employee provisions' and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(r) Leases

(i) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are expensed in the Consolidated Statement of Profit or Loss and Other Comprehensive Income on a straight-line basis over the period of the lease.

(ii) Finance leases

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased asset and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in liabilities. The interest element of the finance cost is charged to the Consolidated Statement of Profit or Loss and Other Comprehensive Income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

(s) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowing costs are recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income in the period in which they are incurred.

2 Summary of significant accounting policies (continued)

(t) Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value.

The Group designates certain derivatives as either:

- hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions; or
- hedges of a net investment in a foreign operation (net investment hedges).

At the inception of the hedging transaction the Group documents the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

Changes in the fair value of derivatives that qualify as net investment hedges are recognised within the 'Foreign currency translation reserve'. Changes in fair value of derivatives that qualify as cash flow hedges are recognised within the 'Fair value reserve'. Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised immediately within 'Other gains/(losses)' in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

(u) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of ordinary shares and share options which vest immediately are recognised as deduction from equity, net of any tax effects.

(v) Dividends

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

(w) Earnings per share

The Group presents basic and diluted earnings per share information for its ordinary shares.

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

Diluted earnings per share adjusts the basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(x) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer ("CEO").

2 Summary of significant accounting policies (continued)

(y) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax ("GST"), except where the amount of GST incurred is not recoverable from the relevant tax authority. Receivables and payables are stated inclusive of GST.

The net amount of GST recoverable from, or payable to, the relevant tax authority is included as part of receivables or payables in the Consolidated Statement of Financial Position.

Cash flows in the Consolidated Statement of Cash Flows are included on a gross basis amount and the GST component of cash flow arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

2 Summary of significant accounting policies (continued)

(z) Parent entity financial information

The financial information for the parent entity, SIL, disclosed in note 33 has been prepared on the same basis as the consolidated financial statements, except as set out below:

(i) Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in financial statements of SIL. Dividends received from subsidiaries and associates are recognised in the parent entity's profit or loss when its right to receive the dividend is established.

(ii) Tax consolidation legislation

SIL and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, SIL, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand-alone taxpayer in its own right.

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

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate SIL for any current tax payable assumed and are compensated by SIL for any current tax receivables and deferred tax assets relating to unused tax losses or tax credits that are transferred to SIL under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the owned entities' financial statements.

The amounts receivable (or payable) under the tax funding agreement are due on receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current amount receivable from or payable to other entities in the Group.

Any differences between the amounts assumed and amounts receivable or payable under tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

(iii) Financial guarantees

Where the parent entity has provided financial guarantees in relation to loans and payables of subsidiaries for no compensation, the fair values of these guarantees are accounted for as contributions and recognised as part of the cost of the investment.

(iv) Share-based payments

The grant by the Company of options over its equity instruments to the employees of subsidiaries in the Group is treated as a capital contribution to that subsidiary. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary, with a corresponding credit to equity.

3 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow interest rate risk), credit risk and liquidity risk.

The Group does not have formal risk management policies or guidelines. However, the Board of Directors generally adopts conservative strategies which focus on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Market Risk

Foreign exchange risk

The Group trades with international customers and suppliers and is be exposed to foreign exchange risk arising from operating in various currencies. Foreign exchange risk arises from those transactions denominated in a currency other than the functional currency of the entity entering into the transaction. Foreign currency risk also arises from assets and liabilities denominated in currencies other than the functional currency of the Group's entities to which they relate.

The Group operates in an industry for which commercial transactions are primarily denominated in US dollars and as such a large proportion of the Group's revenues and costs are denominated in US dollars. The Group's most significant foreign currency exposures are in relation to Australian dollar ("AUD"), Euro and Great British Pounds.

Hedge of net investment in foreign entity

During the period, entities within the Group held intercompany loans denominated in US dollars, Great British Pounds, Euro and Angolan Kwanza which were designated as hedges of a net investment in a foreign entity. In addition, SIL held external borrowings denominated in US dollars. A portion of these external borrowings were designated as fair value hedges. The combined net foreign exchange gain on these loans in 2017 of USD 15,220,000 (2016: USD 2,088,000 gain) has been recognised in 'Other comprehensive income' within the 'Foreign currency translation reserve'. There was no ineffectiveness recorded from net investment in foreign entity hedges during the period.

Cash flow interest rate risk

The Group is exposed to interest rate risk. The Group's interest rate risk arises principally from long-term borrowings. Interest payable on the debt facility is subject to a floating margin component. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. To hedge this risk, and as a requirement of the agreement, the Group entered into interest rate swaps during the year to partially hedge the cash flow risk.

The interest rate swaps are fully effective, designated hedges and any change in fair value of the hedges are recorded in other comprehensive income as such any impact of changes in interest rate would have nil impact on the current year reported profit (2016: USD 1,089,000 decrease in profit).

As at the end of the reporting period, the Group had the following variable rate cash and cash equivalents, borrowings and interest rate swaps.

	2017		2016	
	Weighted avg interest rate	Balance US$'000	Weighted avg interest rate	Balance US$'000
Cash and cash equivalents	3.76%	54,844	1.30%	25,341
Borrowings	4.86%	(443,080)	4.27%	(381,173)
Notional value of interest rate swaps		184,980		-
Net exposure to cash flow interest rate risk		(203,256)		(355,832)

3 Financial risk management (continued)

Market Risk (continued)

Fair values

The following table analyses financial instruments carried at fair value by valuation hierarchy:

	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
At 31 December 2017				
Deferred contingent consideration	-	-	(13,879)	(13,879)
Derivative financial instruments				
- Interest rate swap contracts	-	1,505	-	1,505
At 31 December 2016				
Deferred contingent consideration	-	-	-	-
Derivative financial instruments				
- Interest rate swap contracts	-	-	-	-

The different levels have been defined as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and

Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

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 included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

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; and
- other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

Only that portion of the deferred consideration that remains contingent as at 31 December 2017 is held at fair value. The fair value of the contingent consideration is dependent on the unobservable inputs of the risk-adjusted discount rate and expected forecast financial metrics of the acquired UltiSat business. The forecast metrics of Ultisat exceed the thresholds for the maximum consideration to be paid, as such the full total of the potential amount payable has been recorded as a contingent liability discounted at a 6%. An increase in the discount rate by 100 bps would decrease the fair value of the contingent consideration by USD 192,000.

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 to their fair value as their interest rates 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.

3 Financial risk management (continued)

Credit risk

The Group has no significant concentrations of credit risk. Credit risk of the Group arises from credit exposures to its customers and cash and cash equivalents. The Group only places cash and deposits with reputable banks and financial institutions.

For credit exposure to customers, the Group trades only with recognised, credit worthy third parties. The Group's policy is to carry out credit verification procedures on new customers before grant of credit terms. In addition, the Group may request customers to make deposits and advance payments before delivery of services or goods. Further disclosure of credit risk of customers is set out in note 15.

Liquidity risk

The Group regularly monitors current and expected cash requirements, and its compliance with debt covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from banks and other financial institutions to meet its liquidity requirements in the short and longer term. Management believes there is no significant liquidity risk as the Group has sufficient committed facilities to fund its operations.

The Directors of the Company have reviewed the Group's profit and cash flow projections prepared by Management. The projections make key assumptions with regard to the anticipated sales, profit margins and cash flows from the Group's operations. These assumptions include an assessment of the impact of the uncertainties surrounding the industry but do not include the potential impact of any significant worsening of the various conditions that the Group is operating in and around the globe. The Directors, after making due enquiries, believe that there will be sufficient financial resources available to the Group at least in the coming twelve months to meet its financial obligations as and when they fall due. Accordingly, the Directors consider that it is appropriate to prepare the consolidated financial statements on a going concern basis.

The Group had access to the following undrawn borrowing facilities:

	2017 US$'000	2016 US$'000
Syndicated facility		
Expiring within 1 year	-	-
Expiring between 1 and 5 years	4,980	3,827

Subject to the continuance of satisfactory credit ratings, the bank loan facilities may be drawn at any time in either AUD or USD and have maturity of 2 years (2016: 3 years). The undrawn banking facilities are subject to annual review.

3 Financial risk management (continued)

Liquidity risk (continued)

The table below analyses the Group's financial liabilities as at the end of each year into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. For variable rate borrowings the cash flows have been estimated based on the interest rates applicable at the end of the reporting period including the effect of designated cash flow hedges.

	Within 1 year	1 to 5 years	Greater than 5 years	Total contractual cash flows	Carrying amount of liabilities
	US$'000	US$'000	US$'000	US$'000	US$'000
At 31 December 2017					
Trade and other payables	135,847	16,040	723	152,610	151,487
Obligations under finance leases and interest	9	19	-	28	27
Borrowings and interest	21,432	453,645	-	475,077	432,213
Deferred consideration	26,275	15,000	-	41,275	40,154
	183,563	484,704	723	668,990	623,881
At 31 December 2016					
Trade and other payables	60,772	18	-	60,790	60,270
Obligations under finance leases and interest	3,057	35	-	3,092	3,091
Borrowings and interest	16,276	413,725	-	430,001	368,310
Deferred consideration	1,500	-	-	1,500	4,120
	81,605	413,778	-	495,383	435,791

4 Capital management

The Group's objectives when managing capital are to:

- safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- maintain an optimal capital structure to reduce the cost of capital.

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

Consistent with others in the industry, the Group monitors net debt on the basis of the ratio of net debt to pro forma EBITDA. Capital management initiatives are undertaken when the ratio is forecast to approach limits imposed by the loan covenants.

Loan covenants

Under the terms of the borrowing facility, the Group is required to comply with financial covenants including the commitment not to exceed certain financial ratios as measured semi-annually, commencing on 30 June 2017. The following ratios, as defined in the agreement, have agreed ratios as at 31 December 2017 that must be adhered to:

(i) The ratio of pro-forma underlying EBITDA* to net interest expenses is not less than 3:1; and
(ii) The ratio of net debt to pro forma underlying EBITDA does not exceed 3.5:1.

The Group has complied with these covenants to 31 December 2017.

* Pro-forma underlying EBITDA is based on the previous 12 months as if all Group members as at 31 December 2017 were Group members for the whole of that 12-month period.

Dividends

Relevant information on dividends paid during the year, and approved since the end of the year, has been included in note 25. The 2017 total dividend declared of AUD 7.20 cents per share represents a 75% year-on-year increase in the overall dividend cash payment.

5 Critical accounting estimates and judgments

Accounting estimates and judgments are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes assumptions concerning the future and the resulting accounting estimates may, by definition, differ from the related actual results. The accounting estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Recognition and measurement of identifiable assets acquired and liabilities assumed in acquisition of a business and subsidiaries

The determination, and allocation, of the consideration fair value to the identifiable assets acquired and liabilities assumed in business combinations is based on various assumptions and valuation methodologies requiring considerable judgment. For further information refer to note 2(d).

Useful lives of acquired customer relationships

The Group estimates the period over which customer relationships, recognised through business combinations, are expected to provide benefit or that similar relationships could be developed the lower of which becomes the useful life over which the customer relationship is then amortised. The assessment of useful lives at acquisition date, and subsequent reassessments, involves significant judgement. For further information refer to note 2(g).

Income taxes

The Group is subject to income taxes in several jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes, including the recognition of deferred tax assets to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

The Group recognises liabilities for uncertain tax positions, if any, based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. For further information refer to note 2(n).

Consolidation of UltiSat Inc.

100% of the share capital of UltiSat Inc. was acquired on 1 November 2017. The company is managed through a Proxy agreement as required by the US National Industrial Security Program (“NISP”). The Proxy agreement enables UltiSat to enter into contracts with the US Department of Defence that contain certain classified information.

The Proxy agreement is an instrument designed to mitigate the risk of foreign ownership, control or influence over a US entity that has security clearance under the NISP. The Proxy agreement conveys the owner’s voting rights to the Proxy board and places some restrictions on shareable information and interactions with other Group companies. There are three members of the Proxy Board that are all US citizens, cleared and approved by the US Defence Security Service (DSS).

The Group maintains its involvement with UltiSat’s activities through normal business activity and liaison with the Chair of the Proxy Board. The operational and governance activities and results are reviewed by Speedcast management. Speedcast exercises its right within the Proxy agreement to make suggestions on the running of UltiSat and whilst these suggestions are non-binding the Proxy Board must act in good faith, as reasonably prudent persons, to protect the legitimate economic interests of Speedcast. These activities are all performed within the confines of the Proxy agreement such that UltiSat operates its business within the requirements necessary to protect the US national security interest.

An assessment has been performed in accordance with AASB 10 *Consolidated financial statements* of whether, for accounting purposes, the Group controls UltiSat. The Group is exposed to variable returns from its investment in UltiSat and there is deemed to be sufficient power within the confines of the Proxy agreement for the Group to use its influence to affect those returns. As such, under AASB 10, it is deemed that the Group controls UltiSat and therefore the results of UltiSat and its subsidiary are consolidated in to the Group’s consolidated accounts.

6 Revenue from continuing operations

	2017 US$'000	2016 US$'000
Broadband access revenue	496,928	205,717
Sale of broadband services equipment	17,245	12,274
	514,173	217,991

7 Other gains/(losses)

	2017 US$'000	2016 US$'000
Foreign exchange gain on forwards contracts	-	5,986
Foreign exchange gain/(loss)	(73)	2,604
Gain/(loss) on disposal of property, plant and equipment	(455)	288
Fair value gain/(loss) on deferred consideration	(550)	(610)
	(1,078)	8,268

8 Staff costs

	2017 US$'000	2016 US$'000
Salaries and other short term benefits	90,499	30,616
Share-based payment expense (note 12)	1,021	456
	91,520	31,072

9 Other expenses

Included within other expenses are the following items:

	2017 US$'000	2016 US$'000
Operating lease payments	7,248	2,854
Provision for impairment of trade receivables (note 15)	2,110	833

10 Finance costs, net

	2017 US$'000	2016 US$'000
Finance income:		
Interest income	1,584	255
	1,584	255
Interest expenses on:		
Borrowings	(19,024)	(4,610)
Obligations under finance leases	(10)	(7)
Deferred consideration	(134)	(275)
Amortisation of loan establishment costs	(4,917)	(1,161)
Unwinding of fair value adjustments	(650)	-
Finance charges:		
Fees on undrawn facilities	(443)	(255)
Other bank charges	(678)	(1,121)
Finance costs	(25,856)	(7,429)
Finance costs, net	(24,272)	(7,174)

11 Income tax expense

	2017 US$'000	2016 US$'000
Current tax	10,111	6,671
(Over)/under provision for prior years	580	(490)
Deferred income tax (note 19)	(9,255)	(1,869)
Total income tax expense	1,436	4,312

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the applicable tax rate prevailing in the countries in which the Group operates as follows:

	2017 US$'000	2016 US$'000
Profit before income tax	6,973	10,209
Tax calculated at domestic tax rates applicable to profits/(losses) in the respective countries	1,546	2,702
Tax effects of:		
Expenses not deductible for tax purposes	3,726	1,271
Other assessable income	256	835
Under/(over) provision for prior years	580	(490)
Recognition of previously unrecognised temporary differences	(534)	(6)
Effect of change in enacted tax rates	(4,138)	-
Income tax expense	1,436	4,312

The aggregate current and deferred tax arising in the reporting period which is not recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income is as follows:

	2017 US$'000	2016 US$'000
Tax expense on other comprehensive income recorded directly in equity	5,018	53

12 Share-based payment

Restricted Management Rights

Restricted Management Rights (“RMR”) were issued by the Company under the equity incentive plan on 12 August 2014, the IPO date. The RMR effectively replaced certain rights to shares of Speedcast Acquisitions Limited which were issued by Speedcast Acquisitions Limited to certain employees prior to the IPO.

Each RMR entitles the holder to acquire a share for nil consideration at the end of the relevant vesting period, subject to meeting vesting condition. A total of 1.1 million RMR, representing approximately 0.9% of the issued share capital of the Company, were issued on 12 August 2014 to the participants at no cost. No exercise price is payable in respect of the RMR.

The offer was divided into tranches of RMR with differing vesting periods. Each tranche of RMR will vest subject to the satisfaction of the vesting condition over the vesting period relevant to that tranche. The vesting condition is continued employment with the Group. Vesting will occur over a total period of approximately 4 years from grant date.

The tranches and vesting periods are as follows:

(i) 25% of the RMR will vest 12 months after grant date; and
(ii) Following vesting of first tranche, at the end of each 3-month period another 6.25% of the RMR will vest if the participate remains in employment with the Company.

The RMR in each tranche will lapse immediately if the vesting condition for that tranche is not satisfied at the end of the relevant vesting period.

The RMR do not attract dividends, voting rights or any capital distributions.

Participants must not sell, transfer, encumber, hedge or otherwise deal with RMR. If the participant resigns, or the Company terminates the participants’ employment in accordance with their employment contract, all unvested RMR will lapse, unless otherwise determined by the Board. In a situation where there is likely to be a change of control, the Board has the discretion to accelerate vesting of some or all of the RMR. Where only some of the RMR are vested on a change of control, the remainder of the RMR will immediately lapse.

The weighted average remaining contractual life of RMR outstanding as at 31 December 2017 was 0.3 years (2016: 0.8 years).

The fair value of the RMR granted to employees is deemed to represent the value of employee service received over the vesting period. Fair value was determined using the Monte Carlo simulation method. The factors considered in the valuation included the terms and structure of the share scheme, price and volatility of companies in similar industries and any other relevant information in relation to the shares such as dividend policy.

Long term incentive plan

In 2014, Speedcast established a long term incentive plan (“LTIP”) in order to facilitate remuneration for the Group’s Senior Management and enhance the alignment of their interests with those of shareholders.

Offers may be made at the Board’s discretion to employees of the Group or any other person that the Board determines to be eligible to receive a grant under the Plan.

The Plan Rules provide flexibility for the Company to grant one or more of the following securities as incentives, subject to the terms of individual offers:

(i) Performance rights;
(ii) Options; and
(iii) Restricted shares.

12 Share-based payment (continued)

Long term incentive plan (continued)

Options are entitlement to receive a share on payment of any applicable exercise price. Performance rights and restricted shares are an entitlement to receive shares for no consideration.

The Board may make offers at its discretion and any offer document must contain the information required by the Plan Rules. The Board has the discretion to set the terms and conditions on which it will offer performance rights, options and restricted shares in individual offer documents. Offers must be accepted by the employee and can be made on an opt-in or opt out basis. Unless the Board determines otherwise, no payment is required for a grant of a performance right, option or restricted share under the Plan.

In 2017, the Board made offers to the CEO, CFO and other members of Senior Management to receive a grant of the LTIP ("the 2017 LTIP"). The 2017 LTIP award was made on 15 May 2017, and comprised performance rights.

There were no LTIP offers in 2016.

In 2015, the Board made offers to the CEO, CFO and other members of Senior Management to receive a grant of the LTIP ("the 2015 LTIP"). The 2015 LTIP award was made on 9 September 2015, and comprised performance rights.

In 2014, the Board made offers to the CEO, CFO and other members of Senior Management to receive a grant of the LTIP ("the 2014 LTIP"). The 2014 LTIP award was made on 12 August 2014, the IPO date and comprised performance rights.

A performance right entitles the holder to acquire a share for nil consideration at the end of the performance period, subject to meeting specific performance conditions. The number of performance rights granted will be based on a fixed percentage of the relevant participant's annual fixed remuneration and will be issued to the participant at no cost. No exercise price is payable in respect of the performance rights.

Performance rights granted as part of all LTIP offers will vest subject to the satisfaction of performance conditions. The performance conditions cover a performance period of at least 3 years.

- the 2017 LTIP performance period commenced on 1 January 2017 and ends on 31 December 2019.
- the 2015 LTIP performance period commenced on 9 September 2015 and ends on 31 December 2018.
- the 2014 LTIP performance period commenced on 12 August 2014 and ended on 31 December 2017.

The performance condition must be satisfied in order for the performance right to vest. For the LTIP schemes:

(i) 50% of the total performance rights will vest subject to the achievement of the Total Shareholder Return (TSR) performance target for the Company exceeding the performance of the S&P/ASX Small Ordinaries Index (AUD) (Index) over the performance period and subject to the participant being an employee at the end of the performance period ("TSR component"); and

(ii) 50% of the performance right will vest solely subject to the participant being an employee at the end of the performance period ("service component").

If the performance target for the TSR component is not met the Board may at its absolute discretion issue up to 50% of the TSR component.

Any performance rights that remain unvested at the end of the performance period will lapse immediately.

The performance rights do not attract dividends, voting right or any capital distributions.

Participants must not sell, transfer, encumber, hedge or otherwise deal with performance rights.

12 Share-based payment (continued)

Long term incentive plan (continued)

If the participant ceases employment for death, permanent disability or is otherwise determined to be a 'good leaver' by the Board, unvested performance rights will vest in full, unless otherwise determined by the Board. If the participant ceases employment in any other circumstances, all unvested performance rights will lapse, unless otherwise determined by the Board. In a situation where there is likely to be a change of control, the Board has the discretion to accelerate vesting of some or all of the performance rights. Where only some of the performance rights are vested on a change of control, the remainder of the performance rights will immediately lapse.

The fair value of the LTIP rights granted to an employee is deemed to represent the value of employee service received over the vesting period. The fair value is determined using the Monte Carlo simulation method. The factors considered in the valuation included the terms and structure of the share schemes, price and volatility of companies in similar industries and any other relevant information such as dividend policy and expected exercise pattern of the shares.

Movement in performance rights

A summary of the movement in unvested performance rights of the Company's shared based compensation schemes is as follows:

	RMR	LTIP 2014	LTIP 2015	LTIP 2017	Total
Grant date	Aug 2014	Aug 2014	Sep 2015	May 2017	
Expiry date	July 2018	Dec 2017	Dec 2018	Dec 2019	
Exercise price	nil	nil	nil	nil	
As at 1 January 2016	731,152	278,130	395,593	-	1404,875
Granted	-	-	197,148[1]	-	197,148
Vested	(265,876)	-	-	-	(265,876)
Forfeited	-	-	-	-	-
As at 31 December 2016	465,276	278,130	592,741	-	1,336,147
As at 1 January 2017	465,276	278,130	592,741	-	1,336,147
Granted	-	-	-	894,042	894,042
Vested	(265,876)	(255,410)	-	-	(521,286)
Forfeited	(14,292)	(22,720)	(63,871)	(222,201)	(323,084)
As at 31 December 2017	185,108	-	528,870	671,841	1,385,819

(1) The issue of LTIP 2015 incentives to the CEO were subject to receiving Shareholder approval at the Company's Annual General Meeting in 2016.

255,410 rights had vested but were not issued on the 31 December 2017 (31 December 2016: nil). The shares related to the 2014 scheme which vested on the 31 December 2017. The shares were issued on 1 March 2018.

The weighted average share price at the date of exercise of rights during the year ended 31 December 2017 was AUD 4.18 (2016: AUD 3.56).

Total expenses arising from share-based payment transactions recognised during the year in relation to shares issued under the RMR and LTIP were USD 1,021,000 (2016 : USD 456,000).

13 Operating Segments

Identification of reportable segments

The Group has identified its operating segments based on the reports reviewed by the Chief Executive Officer that are used to make strategic decisions. All of the entities within the Group generate income from the provision of broadband access services and equipment in various geographic markets. The Group has two operating segments, UltiSat, which operates under a Proxy Board, and the rest of the Group. These segments meet the criteria for aggregation and as such are combined in the results given below into one disclosable segment.

Geographical information

The table below presents geographical information of total revenue based on customers' geography, where that relates to a vessel revenue 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
Year ended 31 December 2017	200,885	60,465	38,471	67,683	36,727	109,942	514,173
Year ended 31 December 2016	73,122	37,309	37,561	35,902	25,772	8,325	217,991

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 31 December 2017	13,871	11,366	892	13,747	23,832	31,480	95,188
As at 31 December 2016	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 2017 or 2016.

14 Cash and cash equivalents

	2017 US$'000	2016 US$'000
Cash at bank and in hand	54,844	25,341

Cash and cash equivalents includes USD 2,309,000 (2016: USD 1,395,000) which is restricted by legal or contractual arrangements.

15 Trade and other receivables

	2017 US$'000	2016 US$'000
Trade receivables	108,428	54,576
Less: Provision for impairment of trade receivables	(6,241)	(4,187)
Trade receivables, net	102,187	50,389
Deposits and prepayments	25,144	9,490
Other receivables	26,891	4,454
	154,222	64,333
Less: Non-current portion		
Other receivables	(2,574)	(813)
Current portion	151,648	63,520

The carrying values of the trade and other receivables approximate their fair values.

The majority of the Group's sales are with credit terms of 30 to 60 days. As at 31 December 2017, trade receivables of USD 51,371,000 were past due (2016: USD 21,827,000) and USD 6,241,000 (2016: USD 4,187,000) were deemed to be impaired and fully provided for. The impaired receivables mainly relate to customers' failure to make payment for more than six months from invoice date.

Movement of the provision for impairment of trade receivables is as follows:

	2017 US$'000	2016 US$'000
At beginning of year	4,187	3,389
Acquisitions	-	608
Provision for impairment of trade receivables (note 9)	2,110	833
Provision utilised	(319)	(556)
Exchange differences	263	(87)
At 31 December	6,241	4,187

The creation and release of provision for impaired receivables has been included in 'Other expenses' in the Consolidated Statement of Profit or Loss and Other Comprehensive Income. Trade receivables are generally written off when there is no reasonable expectation of recovery.

16 Inventories

	2017 US$'000	2016 US$'000
Equipment and spares	17,229	5,725
Work in progress	464	111
Less: Provision for Impairment	(2,032)	(29)
	15,661	5,807

The cost of inventories recognised as expense and included in cost of equipment amounted to USD 13,845,000 (2016: USD 9,526,000).

17 Property, plant and equipment

	Communi-cations equipment US$'000	Motor vehicles US$'000	Office equipment US$'000	Leasehold Improve-ments US$'000	Land and buildings US$'000	Total US$'000
Year ended 31 December 2016						
Opening net book amount	21,202	111	424	669	3,832	26,238
Acquisitions	10,976	180	391	675	13	12,235
Additions	20,773	33	61	138	-	21,005
Disposals	(459)	(20)	(5)	(3)	(1,965)	(2,452)
Depreciation	(11,078)	(55)	(141)	(322)	-	(11,596)
Exchange differences	(550)	(2)	(39)	(61)	11	(641)
Closing net book amount	40,864	247	691	1,096	1,891	44,789
As at 31 December 2016						
Cost	103,068	517	1,617	2,265	1,891	109,358
Accumulated depreciation	(62,204)	(270)	(926)	(1,169)	-	(64,569)
Net book amount	40,864	247	691	1,096	1,891	44,789
Year ended 31 December 2017						
Opening net book amount	40,864	247	691	1,096	1,891	44,789
Acquisitions	61,271	-	2,896	2,269	2,724	69,160
Additions	21,355	-	1,050	624	118	23,147
Disposals	(1,627)	(77)	(4)	(10)	(37)	(1,755)
Depreciation	(41,013)	(66)	(752)	(553)	(132)	(42,516)
Exchange differences	2,047	11	33	128	144	2,363
Closing net book amount	82,897	115	3,914	3,554	4,708	95,188
As at 31 December 2017						
Cost	186,961	452	6,016	5,424	4,831	203,684
Accumulated depreciation	(104,064)	(337)	(2,102)	(1,870)	(123)	(108,496)
Net book amount	82,897	115	3,914	3,554	4,708	95,188

Assets held under finance leases repayable as at 31 December 2016 included a transponder with a netbook value of USD 6,127,000. The transponder was fully depreciated in the year to 31 December 2017.

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18 Goodwill and intangible assets

	Goodwill US$'000	Customer relationship US$'000	Supplier contracts US$'000	Trademark and Brands US$'000	Other[1] US$'000	Total US$'000
Year ended 31 December 2016						
Opening net book amount	60,664	20,909	6,940	6,381	1,829	96,723
Acquisition	78,789	8,218	-	127	-	87,134
Additions	-	-	-	-	2,586	2,586
Amortisation	-	(4,819)	(3,810)	(884)	(456)	(9,969)
Exchange differences	(4,596)	(465)	-	(8)	(4)	(5,073)
Closing net book amount	134,857	23,843	3,130	5,616	3,955	171,401
As at 31 December 2016						
Cost	134,857	33,520	19,051	15,007	4,753	207,188
Accumulated amortisation	-	(9,677)	(15,921)	(9,391)	(798)	(35,787)
Net book amount	134,857	23,843	3,130	5,616	3,955	171,401
Year ended 31 December 2017						
Opening net book amount	134,857	23,843	3,130	5,616	3,955	171,401
Acquisition	338,729	98,520	-	3,483	20,231	460,963
Additions	-	-	-	-	5,497	5,497
Amortisation	-	(20,077)	(3,130)	(1,971)	(3,432)	(28,610)
Exchange differences	11,953	1,771	-	(18)	56	13,762
Closing net book amount	485,539	104,057	-	7,110	26,307	623,013
As at 31 December 2017						
Cost	485,539	134,627	19,051	19,274	30,277	688,768
Accumulated amortisation	-	(30,570)	(19,051)	(12,164)	(3,970)	(65,755)
Net book amount	485,539	104,057	-	7,110	26,307	623,013

[1] Other includes, capitalised development costs, software and licences.

As at 31 December 2017, the recoverable amount of Cash Generating Units ("CGUs") were determined based on value-in-use calculations. These calculations used cash flow projections for a 5-year period based on financial budgets approved by the Directors. The pre-tax discount rate and the terminal growth rate after the 5-year budgeted period applied to the cash flow projections was approximately 12.0% and 2.0% respectively. The budgeted gross profit margin and net profit margin were determined by management for the CGUs based on past performance and its expectations for market development.

Discount rates reflect the Group's estimate of the time value of money and risks specific to each CGU that are not already reflected in the cash flows. In determining appropriate discount rates regard has been given to the weighted cost of capital of the Group and business risks.

Management assessment of possible changes in the key assumptions has not identified any reasonably possible changes that would cause the carrying amount of the CGUs assets, including goodwill, to be higher than the recoverable amount of the CGUs.

19 Deferred tax

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	2017 US$'000	2016 US$'000
Deferred tax assets	14,735	6,616
Deferred tax liabilities	(23,945)	(10,103)
Net deferred tax liabilities	(9,210)	(3,487)

The balance comprises of temporary differences attributable to:

	Deferred tax assets		Deferred tax liabilities	
	2017 US$'000	2016 US$'000	2017 US$'000	2016 US$'000
Intangible assets	1,125	1,091	(21,921)	(8,247)
Unrealised FX gains/(losses)	3,131	-	(49)	(168)
Property plant and equipment	4,430	361	(511)	(905)
IPO costs	368	674	-	-
Accruals and provisions	3,843	1,957	-	-
Tax losses	1,583	1,176	-	-
Other	255	1,357	(1,464)	(783)
Total deferred tax assets/(liabilities)	14,735	6,616	(23,945)	(10,103)
Balances subject to offset	(5,297)	(3,808)	5,297	3,808
Deferred tax assets/(liabilities)	9,438	2,808	(18,648)	(6,295)

The following outlines the expected settlement of deferred tax balances:

	2017 US$'000	2016 US$'000
Settled within 12 months	4,132	1,843
Settled after more than 12 months	(13,342)	(5,330)
Net deferred tax liabilities	(9,210)	(3,487)

The movement on the net deferred tax amounts is as follows:

	2017 US$'000	2016 US$'000
Net deferred tax liabilities at beginning of year	(3,487)	(3,076)
Acquisitions – net deferred tax liabilities (note 28)	(10,526)	(2,071)
Tax expense on other comprehensive income recorded directly in equity	(5,018)	(53)
Credited to tax expense (note 11)	9,255	1,869
Exchange differences	566	(156)
Net deferred tax liabilities at 31 December	(9,210)	(3,487)

19 Deferred tax (continued)

The deferred tax balance includes an amount of USD 1,583,000 (2016: USD 1,176,000) which relates to carried forward tax losses of subsidiaries in the Group. For each subsidiary where the losses have been carried forward, Management estimates that future taxable income will be available to recover the net deferred tax asset in each of these subsidiaries based on the business plans and budgets.

The following table shows the unrecognised tax losses of the Group

	2017 US$'000	2016 US$'000
Tax losses for which no deferred tax asset has been recognised	216,433	3,438
Potential tax benefit at domestic rates applicable to respective countries	36,886	900

The unused tax losses were incurred by overseas subsidiaries where there is insufficient evidence to support the generation of taxable income in the foreseeable future. The unused tax losses have increased predominantly due to the acquisition of Harris CapRock entities.

20 Trade and other payables

	2017 US$'000	2016 US$'000
Trade payables due to third parties	58,166	31,768
Other payables		
Accrued charges and other creditors	60,612	9,334
Employee provisions	10,339	2,319
Customer deposits	5,955	5,952
Deferred revenue	16,415	10,897
Deferred consideration (note 34)	40,154	4,120
Accrued interest payable	4,163	-
	137,638	32,622
Total trade and other payables	195,804	64,390
Less: non-current portion		
Other non-current liabilities	(15,641)	(18)
Deferred contingent consideration (note 34)	(13,879)	-
	(29,520)	(18)
Current portion	166,284	64,372

Trade payables are unsecured and usually paid 30–90 days from recognition.

Deferred consideration is payable on the SAIT and UltiSat acquisitions. A portion of the consideration as at 31 December 2017 is contingent on the future results of UltiSat, refer to note 34 for further details.

21 Obligations under finance leases

At 31 December 2017, the Group had obligations under finance leases repayable as follows:

	As at 31 December 2017		As at 31 December 2016	
	Minimum lease payments US$'000	Present value of minimum lease payments US$'000	Minimum lease payments US$'000	Present value of minimum lease payments US$'000
Within 1 year	9	9	3,057	3,057
Later than 1 year but not later than 5 years	19	18	35	34
Less: Future finance charges	(1)	-	(1)	-
Present value of lease obligations	27	27	3,091	3,091

The carrying value of fixed assets held under finance lease as at 31 December 2017 approximates the present value of lease obligations. Assets held under finance leases repayable as at 31 December 2016 included a transponder with a netbook value of USD 6,127,000. The transponder was fully depreciated in the year.

22 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 mandated lead arrangers. 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, which was settled in 2017.

The limit of the syndicated facility was extended on 3 November 2017 by an accordion facility of USD 60 million. Speedcast drew down on the full amount of the accordion facility, which was used with cash flows generated from operations to fund the acquisition of UltiSat.

Refer to note 28 for further details regarding these acquisitions.

Interest payable on the new facility is subject to a floating margin component. This exposes the Group to interest rate risk. To hedge this risk and as a requirement of the agreement, the Group has entered into interest rate swaps contracts refer to note 3.

At 31 December 2017, interest-bearing bank loans and overdrafts were due for payment as follows:

	2017 US$'000	2016 US$'000
Portion of bank loans due for repayment within 1 year	-	-
After 1 year but within 2 years	-	-
After 2 years but within 5 years	443,080	381,173
Less: Prepaid facility fees	(10,867)	(12,863)
	432,213	368,310

22 Borrowings (continued)

Assets pledged as security

The Group has pledged a significant portion of its assets as security against the syndicated facility. The carrying amounts of assets pledged for borrowings as at 31 December are:

	2017 US$'000	2016 US$'000
Current assets		
Cash and cash equivalents	21,719	19,911
Trade and other receivables	96,422	60,951
Inventories	10,550	4,176
Amount due from related companies	79,456	11,386
Other financial assets – funds held in escrow	-	422,380
Current tax receivable	4,196	-
Non-current assets		
Investments in subsidiaries	150,539	26,281
Property, plant and equipment	68,468	40,444
Goodwill and intangible assets	487,795	144,148
Deferred tax assets	5,619	13,241
Other	1,804	813
Derivative financial instruments	1,506	-
Total Group assets pledged as security	928,074	743,731

Total assets pledged as security as at 31 December 2016 were greater than the total assets of the Group due to both the presence of intercompany receivables and investments outside of the obligor group that are held at cost, whereas intangibles arising on consolidation of entities outside of the obligor group are subject to amortisation.

It is anticipated that underlying assets of UltiSat will be added to the assets pledged as security in 2018.

23 Derivative financial instruments

	2017 US$'000	2016 US$'000
Carried at fair value		
Interest rate swap contracts	1,506	-
	1,506	-

24 Equity

Contributed equity

	2017		2016	
	No. of shares	US$'000	No. of shares	US$'000
Balance as at 1 January	237,468,482	361,392	120,819,213	84,892
Issue of ordinary Shares	-	-	115,764,549	278,147
Issue of ordinary shares – acquisitions	1,257,791	3,150	618,844	2,081
Issue of ordinary shares – Restricted Management Rights	265,876	148	265,876	148
Capital raising costs	-	-	-	(3,876)
	238,992,149	364,690	237,468,482	361,392

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

Accumulated losses

	2017 US$'000	2016 US$'000
Balance as at 1 January	(57,224)	(56,478)
Net profit for the year	5,546	5,897
Dividend declared and paid	(8,786)	(6,643)
Balance as at 31 December	(60,464)	(57,224)

The Final dividend for the year ended 31 December 2016 was paid in April 2017 and an Interim dividend for the year ended 31 December 2017 was paid in October 2017. For details, please refer to note 25.

Foreign currency translation reserve

	2017 US$'000	2016 US$'000
Balance as at 1 January	(14,514)	(1,462)
Currency translation difference	17,744	(12,999)
Deferred tax impact of designated hedges	(4,566)	(53)
Balance as at 31 December	(1,336)	(14,514)

Exchange differences arising on translation of the foreign controlled entity are recognised in 'Other comprehensive income' and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed.

24 Equity (continued)

Share-based payment reserve

	2017 US$'000	2016 US$'000
Balance as at 1 January	599	291
Value of employee services	1,021	456
Issue of shares	(148)	(148)
Balance as at 31 December	1,472	599

The share-based payments reserve is used to recognise the fair value of options at grant date issued to employees and Directors. When shares are issued, the amount recognised in this reserve in relation to those shares is transferred to contributed equity.

For information relating to share options including details of options issued, exercised and lapsed during the financial year and the options outstanding at year end please refer to the Directors' Report and note 12.

Fair value reserve

	2017 US$'000	2016 US$'000
Balance as at 1 January	-	-
Gain in the year	1,506	-
Deferred tax impact of gain	(452)	
Balance as at 31 December	1,054	-

The fair value reserve is used to recognise the change in fair value of financial instruments designated as qualifying cash flow hedges.

Non-controlling interests

	2017 US$'000	2016 US$'000
Balance as at 1 January	-	-
Business combinations (note 28)	716	-
(Loss) for the year	(9)	-
Currency translation difference	(2)	-
Balance as at 31 December	705	-

The non-controlling interests reserve is used to record the portion of equity ownership of controlled subsidiaries that are not attributable to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 Dividends

	2017 US$'000	2016 US$'000
Dividends declared during the year		
Interim dividend declared for the year ended (2017: AUD 2.40 cents, 2016: AUD 3.20 cents)	4,494	3,351
Final dividend declared for the year ended (2016: AUD 2.40 cents 2015: AUD 3.65 cents)	4,292	3,292
	8,786	6,643

On 26 February 2018, the Board approved a final dividend of AUD 4.80 cents per share for the year ended 31 December 2017. The dividend will be paid on 23 May 2018 to all shareholders registered on the record date of 9 March 2018. The ex-dividend date for dividend entitlement will be 8 March 2018. The dividend will be fully franked for Australian taxation purposes.

	2017 US$'000	2016 US$'000
Franking credit balance		
Franking credit available for future financial years (tax paid basis, 30% tax rate)	2,125	2,982

The above amount represents the balance of the franking accounts as at the end of the period, adjusted for:

(i) Franking credits that will arise from the payment of income tax payable at the end of the period; and
(ii) Franking debits that will arise from the payment of dividends provided at the end of the period.

26 Earnings per share

	2017 Cents	2016 Cents
Basic profit per share attributable to ordinary equity holder of the Group	2.32	4.16
Diluted profit per share attributable to ordinary equity holder of the Group	2.30	4.12

	2017 Number	2016 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	238,822,243	141,629,709
Weighted average number of Restricted Management Rights and Long Term Incentive Plan Rights	2,048,935	1,348,193
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	240,871,178	142,977,902

27 Reconciliation of profit before income tax to net cash inflows from operating activities

	2017 US$'000	2016 US$'000
Profit before income tax	6,973	10,209
Adjustments for:		
Depreciation of property, plant and equipment	42,516	11,596
Amortisation of intangible assets	28,610	9,969
(Gain)/loss on disposal of property, plant and equipment	455	(288)
Share-based payment expense	1,021	456
Fair value (gain) on derivative financial instruments	-	(6)
Fair value loss on deferred consideration	550	610
Finance costs	5,061	2,026
Foreign exchange (gain)/losses	(131)	(1,592)
Transaction costs	9,212	7,961
Changes in working capital:		
(Increase)/decrease in inventories	(3,848)	544
(Increase) in trade and other receivables	(8,667)	(5,364)
(Decrease)/increase in trade and other payables	10,111	(3,982)
Other	-	28
Tax paid	(12,804)	(4,865)
Cash generated from operating activities	79,059	27,302

28 Business combinations

Current year acquisitions

Harris CapRock

On 1 November 2016, the Group entered into a definitive agreement to acquire 100% of the businesses of Harris CapRock, 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. All consideration has been paid in full in the year.

	US$'000
Consideration	
Cash	417,091
Deferred contingent consideration	2,134
Total consideration	419,225
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	4,044
Trade and other receivables	61,199
Inventory	3,737
Property, plant and equipment (note 17)	66,818
Intangible assets (note 18)	81,759
Deferred tax assets (note 19)	3,006
Trade and other payables	(63,530)
Fair value of bandwidth supply contracts	(15,165)
Non-controlling interests	(716)
Total identified net assets	141,152
Goodwill (note 18)	278,073

The goodwill was 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. Goodwill of approximately USD 180 million is expected to be deductible for tax purposes.

Harris CapRock's business has been successfully integrated into Speedcast's operating and cost structure. In addition there has been significant rationalisation of entities and transfer of sales contracts where Speedcast had a legacy entity operating in the same jurisdiction, as such it is not possible to disclose the revenue or profit contribution for the period.

28 Business combinations (continued)

Current year acquisitions (continued)

UltiSat Inc.

On 23 July 2017, Speedcast entered into an agreement to acquire 100% of the share capital of UltiSat Inc., a leading provider of remote communications and professional services to Governments and to International Government Organisations and Non-Governmental Organisations. The acquisition closed on 1 November 2017 and the results of UltiSat Inc. are included in the Group's results from this date.

The following table summarises the consideration paid, the estimated fair value of assets and liabilities acquired at the acquisition date.

	US$'000
Consideration	
Cash	63,696
Deferred contingent consideration	39,534
Total Purchase Consideration	103,230
Provisional fair value of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	2,000
Trade and other receivables	16,331
Inventory	1,745
Property, plant and equipment (note 17)	2,342
Intangible assets (note 18)	40,475
Current tax receivable	2,554
Trade and other payables	(9,341)
Deferred tax liabilities (note 19)	(13,532)
Total identified net assets	42,574
Goodwill (note 18)	60,656

The purchase price allocation remains provisional as at 31 December 2017 due to the proximity of the acquisition to the year end.

The goodwill is attributable to the expected future profitability and expertise of UltiSat in the government sector, as well as the synergies expected to be achieved with the Group subject to the confines of the Proxy Agreement. No goodwill is expected to be deductible for tax purposes.

UltiSat Inc. contributed revenues of USD 14,143,000 and profit of USD 112,000 to the Group from the acquisition date to the end of the year ended 31 December 2017 after making adjustments for the acquisition in accordance with *AASB 3 Business combinations*.

28 Business combinations (continued)

Prior year acquisitions

United Satellite Group Pty Ltd

On 15 January 2016, Speedcast International Limited, via its 100% owned subsidiary Speedcast Australia Pty Ltd, purchased 100% of the "Business Assets" of United Satellite Group Pty Ltd ("USAT'). The "Business Assets" were defined in the Sale & Purchase Agreement ("SPA") as selected contracts, intellectual property rights, and equipment at remote sites. The acquisition has been assessed to be a business combination for accounting purposes.

The following table summarises the consideration paid, the estimated fair value of assets and liabilities acquired at the acquisition date.

	US$'000
Consideration	
Cash	1,080
Recognised amounts of identifiable assets acquired and liabilities assumed	
Property, plant and equipment (note 17)	261
Intangible assets (note 18)	176
Deferred tax liabilities (note 19)	(53)
Total identified net assets	384
Goodwill (note 18)	696

Goodwill of USD 696,000 is attributable to the synergies with Speedcast's existing operations in the region as well as the expected future profitability of the business. No goodwill is expected to be deductible for tax purposes

28 Business combinations (continued)

Prior year acquisitions (continued)

NewCom International Inc.

On 31 March 2016, the Group completed the acquisition of NewCom International Inc. ("NewCom"), a leading satellite communications service provider specialising in the South and Central American regions, in accordance with the agreed terms of the SPA signed on 29 December 2015. NewCom was acquired for consideration of USD 11.3 million in cash and USD 2.1 million in new Speedcast shares. The Group gained control with effect from 31 March 2016.

The following table summarises the consideration paid, the estimated fair value of assets and liabilities acquired at the acquisition date.

	US$'000
Consideration	
Cash	11,313
Shares	2,081
Total Purchase Consideration	13,394
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	398
Trade and other receivables	1,133
Inventory	387
Property, plant and equipment (note 17)	1,097
Intangible assets (note 18)	1,209
Trade and other payables	(3,078)
Total identified net assets	1,146
Goodwill (note 18)	12,248

Goodwill of USD 12,248,000 is principally attributable to the new growth frontier in the South and Central American regions, where satellite is widely used and Speedcast did not have a direct presence. No goodwill is deductible for tax purposes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 Business combinations (continued)

Prior year acquisitions (continued)

ST Teleport Pte Ltd

On 4 July 2016, the Group completed the acquisition of ST Teleport Pte Ltd ("STT"), a leading satellite communications provider based in Singapore, for SGD 18.5 million in cash following the definitive agreement announced on 13 November 2015. The acquisition includes ST Teleport's world class teleport facilities and data centre infrastructure in Singapore, a major hub in Asia for global maritime and oil & gas customers.

The following table summarises the consideration paid, the estimated fair value of assets and liabilities acquired at the acquisition date.

	US$'000
Consideration:	
- Cash	14,016
Recognised amounts of identifiable assets acquired and liabilities assumed:	
Cash and cash equivalents	329
Trade and other receivables	3,899
Inventory	84
Property, plant and equipment (note 17)	7,799
Intangible assets (note 18)	328
Trade and other payables	(4,338)
Obligations under finance lease	(111)
Borrowings	(1,611)
Deferred tax liabilities (note 19)	(924)
Total identified net assets	5,455
Goodwill (note 18)	8,561

Goodwill of 8,561,000 million arises principally from the strengthening of the Group's position in the Asia-Pacific region and in both the Maritime and Energy sectors. No goodwill is expected to be deductible for tax purposes.

28 Business combinations (continued)

Prior year acquisitions (continued)

WINS Limited

On 8 August 2016, the Group announced the acquisition of WINS Limited ("WINS"), a leading Europe-based provider of innovative maritime broadband satellite communications and IT solutions, from Eutelsat Communications and Maltasat.

The following table summarises the consideration paid, the estimated fair value of assets and liabilities acquired at the acquisition date.

	US$'000
Consideration	
Cash	59,433
Shares	1,140
Total Purchase Consideration	60,573
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	418
Trade and other receivables	9,315
Inventory	710
Property, plant and equipment (note 17)	3,078
Intangible assets (note 18)	6,715
Deferred tax assets (note 19)	1,200
Trade and other payables	(8,895)
Tax payable	(1,013)
Borrowings	(5,945)
Deferred tax liabilities (note 19)	(2,294)
Total identified net assets	3,289
Goodwill (note 18)	57,284

Goodwill of USD 57,284,000 arises principally from the strengthening of the Group's position in Germany within the important growth engine of the maritime sector, which Speedcast expects to underpin long-term organic growth. No goodwill is deductible for tax purposes.

Additional information

Acquisition related costs of USD 9,212,000 (2016: USD 7,001,000) have been charged to transaction related costs in the Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2017.

29 Commitments

Capital commitments

Capital expenditure contracted for at the end of the year but not yet purchased is as follows:

	2017 US$'000	2016 US$'000
Purchase of property, plant and equipment	2,587	1,449

Operating lease commitments

The Group leases certain of its office premises under non-cancellable operating leases. Leases are normally negotiated for an average term of 1 to 5 years. The lease expenditure charged in the Consolidated Statement of Profit or Loss and Other Comprehensive Income during the year is disclosed in note 9.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2017 US$'000	2016 US$'000
No later than 1 year	5,187	2,491
Later than 1 year and no later than 5 years	15,227	4,706
Later than 5 years	8,740	1,941
	29,154	9,138

30 Related party transactions

The following transactions were carried out with related parties:

Key management personnel compensation

Key management personnel includes the Chief Executive Officer, Chief Financial Officer, Head of Operations, Business Unit Heads and the Board of Directors. Their remuneration included within employee expenses for the year is shown below:

	2017 US$	2016 US$
Short-term employee benefit	3,117,843	2,225,119
Share-based payments	626,492	237,950
	3,744,335	2,463,069

30 Related party transactions (continued)

Key management personnel compensation (continued)

The Remuneration Report presented at the beginning of the annual report contains details of the remuneration paid or payable to each member of the Group's key management personnel for the year ended 31 December 2017.

31 Principal operating subsidiaries

The following is the list of the principal operating subsidiaries of the Group as at 31 December 2017 all entities are engaged in the provision of satellite communication services:

Name	Country of incorporation	2017 Interest Held	2016 Interest Held
Speedcast Limited	Hong Kong	100%	100%
Speedcast Australia Pty. Ltd	Australia	100%	100%
Speedcast Singapore Pte. Ltd. (formerly known as ST Teleport Pte. Ltd.)	Singapore	100%	100%
CapRock UK Limited	United Kingdom	100%	-
Maritime Communication Services, Inc.	United States of America	100%	-
Speedcast Communications Inc. (formerly known as Harris CapRock Communications)	United States of America	100%	-
CapRock Communications Pte Ltd	Singapore	100%	-
UltiSat Inc.	United States of America	100%	-

32 Deed of Cross-Guarantee

The parent entity, Speedcast International Limited, and its subsidiaries listed below are parties to a deed of cross guarantee, executed on the 21 December 2017, under which each company guarantees the debts of the others. By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and Directors' report under ASIC Corporations (Wholly-owned Companies) Instrument 2016/785.

The subsidiaries subject to the deed are:

(i) Speedcast Australia Pty Ltd
(ii) Speedcast Group Holdings Pty Ltd
(iii) Speedcast Managed Services Pty Ltd
(iv) Satellite Communications Australia Pty Ltd
(v) Oceanic Broadband Solutions Pty Ltd
(vi) CapRock Communications (Australia) Pty Ltd

These companies represent a closed group for the purposes of the class order.

The Consolidated Statement of Profit or Loss and Other Comprehensive Income and Consolidated Statement of Financial Position, comprising the closed group, after eliminating all transactions between parties to the deed of cross guarantee are shown below.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	2017 US$'000	2016 US$'000
Revenue from continuing operations	99,414	96,608
Cost of equipment and bandwidth services	(60,711)	(62,401)
Other gains	11,644	12,788
Staff costs	(9,557)	(9,972)
Other expenses	(13,750)	(11,967)
Depreciation of property, plant and equipment	(3,397)	(2,338)
Amortisation of intangible assets	(1,605)	(1,550)
Transaction related costs	(8,748)	(5,994)
Finance costs, net	(11,077)	(6,274)
Reversal of impairment of investment in subsidiaries	94,265	-
Profit before income tax	96,478	8,900
Income tax expense	(3,417)	(4,573)
Profit for the year	93,061	4,327
Other comprehensive income		
Item that may be reclassified to profit and loss		
Change in fair value of interest rate swap cash flow hedges	1,054	-
Currency translation difference	3,462	(7,316)
Total comprehensive income/(loss) for the year	97,577	(2,989)

32 Deed of Cross-Guarantee (continued)

Consolidated Statement of Financial Position

	2017 US$'000	2016 US$'000
ASSETS		
Current assets		
Cash and cash equivalents	13,285	11,986
Trade and other receivables	19,924	22,638
Inventories	2,440	1,333
Other financial assets – funds held in escrow	-	422,380
Amount due from related companies	674,888	51,169
Total current assets	710,537	509,506
Non-current assets		
Interests in joint ventures	-	5
Property, plant and equipment	12,258	9,867
Goodwill and intangible assets	32,766	31,481
Investment in subsidiaries	229,449	129,940
Deferred tax asset	1,639	-
Other receivables	1,538	-
Derivative financial instrument	1,506	-
Total non-current assets	279,156	171,293
Total assets	989,693	680,799
LIABILITIES		
Current liabilities		
Trade and other payables	31,674	28,475
Income tax payable	1,791	2,723
Amount due to related companies	151,518	-
Total current liabilities	184,983	31,198
Non-current liabilities		
Borrowings	432,214	368,310
Deferred tax liabilities	-	1,085
Obligations under finance leases	5	10
Other payables	205	-
Total non-current liabilities	432,424	369,405
Total liabilities	617,407	400,603
Net assets	372,286	280,196
EQUITY		
Contributed equity	326,444	323,146
Other reserves	(17,899)	(22,415)
Retained earnings	63,741	(20,535)
Total equity	372,286	280,196

33 Parent entity financial information

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

The financial information for the parent entity has been prepared on the same basis as the consolidated financial statements.

Statement of Financial Position

	2017 US$'000	2016 US$'000
Assets		
Current assets	250,792	596,094
Non-current assets	672,734	154,536
Total assets	923,526	750,630
Liabilities		
Current liabilities	32,935	8,959
Non-current liabilities	432,213	382,313
Total liabilities	465,148	391,272
Equity attributable to owners of the Company		
Contributed equity	326,444	323,146
Other reserves	(8,216)	(28,954)
Retained earnings	140,150	65,166
	458,378	359,358
Profit/(loss) for the year attributable to owners of the Company	83,770	(1,366)
Other comprehensive income	19,865	(12,006)
Total comprehensive (loss) for the year attributable to owners of the Company	103,635	(13,372)

Profit for the year includes USD 94,265,000 (2016: nil) relating to reversals of previous investment impairments

For details on the contingent liabilities of the parent entity, please refer to note 34.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34 Contingent liabilities

SAIT Communications earn-out

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 contingent on the achievement of certain revenue targets in 2016.

The final contingent consideration due became payable on 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. The shares have subsequently been issued. Cash of USD 1,500,000 was also payable on achieving the targets of which, USD 1,014,000 has been paid and the balance of USD 486,000 is held as a financial liability.

UltiSat earn-out

A short term liability of USD 4,486,000 is held representing working capital adjustments that are expected to be paid subject to the successful recoverability of assets held on the opening balance sheet. Additional potential consideration of up to USD 35,000,000 is payable dependent on the underlying performance of the business. USD 20,000,000 has become payable on the achievement of underlying EBITDA targets for the year to 31 December 2017. These balances are disclosed as current liabilities – other payables.

A maximum of USD 7,500,000 is payable on achieving revenue targets and a further maximum of USD 7,500,000 is payable on achieving certain gross margin targets in the year to 31 December 2018. An amount of USD 13,879,000 representing the fair value of this deferred contingent consideration, is included as non-current liabilities – other payables.

Outstanding legal cases arising from acquisition of Harris CapRock

The entities acquired as part of the Harris CapRock acquisition were subject to certain legal cases most significantly in relation to employment law in Brazil and Angola. Adequate provision has been included in the financial statements to cover any exposure to the Group that is not subject to indemnity by Harris Corporation.

Other than as noted above, the Group did not have any other material contingent assets or liabilities as at 31 December 2017.

35 Auditors' remuneration

	2017 US$	2016 US$
Remuneration of auditor of the parent entity PricewaterhouseCoopers Australia ("PwC")		
Audit and review of financial statements	739,979	396,897
Taxation services	448,790	14,066
Transaction related services	172,553	340,483
Total remuneration of PwC	1,361,322	751,446
Remuneration to other related entities of PwC		
Audit and review of financial statements	669,706	132,465
Taxation services	144,065	-
Transaction related services	60,456	1,716,302
Other services	7,626	5,821
Total remuneration of other related entities of PwC	881,853	1,854,588
Remuneration to auditors other than PwC or its related entities		
Audit and other assurance services	449,580	167,543
Taxation services	274,473	78,386
Transaction related services	9,662	-
Total remuneration to auditors other than PwC or its related entities	733,715	245,929

36 Events after the balance sheet date

On 26 February 2018, the Board approved a final dividend of AUD 4.80 cents per share for the year ended 31 December 2017. The dividend will be paid on 23 May 2018 to all shareholders registered on the record date of 9 March 2018. The ex-dividend date for dividend entitlement will be 8 March 2018. The dividend will be fully franked for Australian taxation purposes.

On 1 March 2018, 377,781 shares were issued in full settlement of the 2014 LTIP scheme and partial settlement of the RMR scheme. Refer to note 12 for further details.

Other than the above, there have been no other material post balance sheet events since 31 December 2017.

DIRECTORS' DECLARATION

In the Directors' opinion:

(a) the financial statements and notes set out on pages 32 to 87 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 31 December 2017 and of its performance for the financial 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; and

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in note 32 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 32.

Note 2(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Chief Executive Officer, in his capacity as both Chief Executive Officer and Interim Chief Financial Officer, required by section 295A of the Corporations Act 2001.

This declaration is made in accordance with a resolution of the Directors dated on 29 March 2018.

Pierre-Jean Beylier
Chief Executive Officer, Executive Director
29 March 2018

Independent auditor's report

To the members of Speedcast International Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Speedcast International Limited (the Company) and its controlled entities (together 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 31 December 2017 and of its financial performance for the year then ended

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

What we have audited

The Group financial report comprises:

- the Consolidated Statement of Financial Position as at 31 December 2017
- the Consolidated Statement of Changes in Equity for the year then ended
- the Consolidated Statement of Cash Flows for the year then ended
- the Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors' declaration.

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

Independence

We are independent of the 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.

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Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.

The Group's activities principally involve the provision of satellite bandwidth services to the maritime, energy, government and enterprises and emerging markets. The Group has operations and entities in many countries, including Australia, Hong Kong, United States of America and United Kingdom.

Materiality

- For the purpose of our audit we used overall Group materiality of $3,000,000, which represents approximately 2.5% of EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) of the Group excluding acquisition related revenue and expenses.

- We chose to use EBITDA adjusted for acquisition related revenue and expense items as the benchmark, because in our view, this is the metric against which, the performance of the Group is most commonly measured. The adjustment to EBITDA for specific items of revenue and expense, associated with acquisitions including transaction related costs, restructuring and integration costs, seeks to remove the impact of items which are not expected to recur from year to year or otherwise significantly affect the underlying trend of performance from continuing operations.

- We utilised a 2.5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.

- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.

Audit scope

- Our audit focused on areas where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
- The Group audit is planned and led by our Group audit team in Australia. We and component auditors in Hong Kong, the United States of America and the United Kingdom conducted audit procedures over the financial information of the most financially significant entities, which are based in Australia, Hong Kong, the United States of America, the United Kingdom and Norway.
- Additionally, the Group audit team performed specific risk focused audit procedures in relation to the Group's entities in Brazil and Angola. When determining where it was necessary to perform specific procedures on the entities, we focused on entities recently acquired by the Group and where our planning procedures identified specific areas of risk.
- We note that outside the entities highlighted above, the Group includes other entities which individually do not contribute materially to the overall Group result. We obtained an understanding of these entities and performed analytical procedures over their financial balances.
- Audit procedures were performed by the Group audit team over the consolidation process and balances recorded at a Group level. The audit work carried out at entity level, together with the additional procedures performed at Group level, in our view, provided us with sufficient evidence to express an opinion on the Financial Report of the Group as a whole.
- We ensured that the audit teams both at Group and at entity levels had the appropriate skills and competencies. This included engaging specialists and experts to address aspects of our audit work in relation to taxation and business combinations.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

Key audit matter	How our audit addressed the key audit matter
Revenue recognition *(Refer to note 2(e) and note 6)* Speedcast have multiple revenue streams with customers which can include the provision of equipment, bandwidth services and related support arrangements. For many Speedcast operations, broadband access fees related to bandwidth services are invoiced in advance of service delivery and an adjustment is made at each balance date by the Group so that amounts invoiced in advance are not inappropriately recorded as revenue prior to bandwidth access being supplied by Speedcast. The adjustment recorded is material, as is revenue as a whole, and as such revenue recognition was a key audit matter.	We performed the following procedures: • We developed an understanding of each significant revenue stream, being broadband access revenue and the sale of broadband services equipment, and the basis used to recognise revenue. • We tested a sample of revenue transactions to evaluate whether they were appropriately recorded as revenue. This included checking the amounts recorded to supporting evidence. • For a sample of deferred revenue amounts we checked whether the amount recognised in the current period was consistent with services supplied per the terms of the customer agreement.

Key audit matter	*How our audit addressed the key audit matter*
Accounting for business combinations *(Refer to note 2(d) and note 28)* Speedcast made two acquisitions in the current year (Harris CapRock and UltiSat) and finalised the accounting for the previous year's acquisitions. The purchase accounting for the Harris CapRock acquisition has been completed. The accounting for the UltiSat acquisition, which was effective from 1 November 2017, is provisional at the date of authorisation of the financial report. The accounting for these business combinations was a key audit matter given each acquisition was material to the Group and involved significant judgements made by the Group, including: • Estimation of the purchase consideration, particularly in respect of contingent consideration payable on the achievement of certain operational performance targets. Such purchase consideration is required by Australian Accounting Standards to be recorded as a financial liability and subsequently re-measured at each period end based on the Group's judgement on whether operational performance targets will be met. • Estimation of the fair value of assets and liabilities acquired, in particular customer relationships. Under Australian Accounting Standards, the Group is required to estimate the fair value of assets and liabilities acquired. This estimate involved making judgements over the value of relationships acquired and the period over which acquired customer relationships are expected to provide benefit to Speedcast.	For the Harris CapRock acquisition, we performed the following procedures: • Read the sale and purchase agreement to identify any contingent purchase consideration. No contingent consideration was identified in the agreement that is dependent upon achievement of operational performance targets. • We agreed the fair value of assets and liabilities acquired to valuation reports prepared by the Group's valuation adviser or separate Group calculations. The valuation reports included discounted cash flow models (the "models") calculating the value of customer relationship intangibles; above market contracts for bandwidth supply and other contracts at the date of acquisition. • For the customer relationship intangible assets we performed the following: o Assessed the underlying assumptions used in the models, including customer attrition rate and discount rate; o Assessed whether the cash flow inputs used in the models were reasonable compared to actual performance for 2017; and o Assessed the mathematical accuracy of the models. • For the above market contracts for bandwidth supply and other contracts we performed the following: o Assessed the underlying assumptions used in the models, including agreeing the cash flow inputs to the above market contract and market rate data; and o Assessed whether the discount rate used was appropriate. • For other significant fair value adjustments not included in the valuation report, we agreed the fair value of assets and liabilities to the underlying calculations, and performed the following: o Assessed the appropriateness of the Group's calculation;

Key audit matter	How our audit addressed the key audit matter
	- Obtained and considered supporting documentation; and - Obtained explanations from individuals outside of Group finance. - We were assisted by valuation experts as appropriate, including in relation to the assessment of discount rates used. For the UltiSat acquisition we performed the following procedures: - Read the sale and purchase agreement to identify any contingent purchase consideration. We note that contingent consideration is payable in relation to UltiSat and is based on achieving future levels of EBITDA, revenue and gross margin. The maximum possible contingent consideration was recorded as the Group determined it was likely the amounts would be required to be paid. We assessed the Group's determination by comparing their forecast amount to actual and budgeted EBITDA, revenue and gross margin for the forecast periods. - We assessed the Group's provisional estimate of the fair value of assets and liabilities acquired including the Group's basis for determination of the customer relationship balance and goodwill. For the prior period acquisitions finalised in the current year we developed an understanding of variances from the provisional purchase price accounting included in the financial report for the year ended 31 December 2016. There were no material variances noted. Where there were costs incurred which were related to acquisitions, we performed audit work to test that such costs were expensed and not capitalised or included in purchase consideration, as required by Australian Accounting Standards.
Useful life of customer relationship intangible assets *(Refer to note 2(g) and note 18)* SpeedCast recognises intangible assets related to customer relationships as a result of each acquisition. The value of the customer relationship intangible assets acquired is estimated with reference to the customer base of the operations acquired, adjusted for any	We performed the following procedures: - We developed an understanding of the accounting policies and useful lives used by Speedcast in the amortisation of customer relationship intangible assets. - We assessed the financial performance of operations with significant customer relationship intangible assets to identify operations not performing as expected at acquisition, which

Key audit matter	*How our audit addressed the key audit matter*
customers expected to be lost following the acquisition. The Group makes judgements at the time of each acquisition related to how long acquired customers are expected to remain with SpeedCast and therefore over what useful life the customer relationship intangible asset should be amortised. These judgements are reassessed at each period end by comparing the level of customer loss ("churn") against the original measurement assumptions to assess if the period over which the customer relationships are being amortised remains appropriate. The determination of the useful life of customer relationship intangible assets was a key audit matter due to the judgements involved and the impact on the amortisation expense recorded in periods after acquisition and the recorded carrying amount of customer relationship intangible assets.	indicates a higher risk that the useful life may need to be changed. • For each operation identified, we assessed the level of customer churn and the extent of changes in the customer base, to which the original intangible related, in order to assess the appropriateness of the useful life adopted.
Tax effect accounting *(Refer to note 2(n), note 11 and note 19)* Speedcast operates in a number of countries, each with different tax regimes. The Group is required to understand the tax laws in each jurisdiction and appropriately apply these to each entities' tax calculations and the overall Group tax position. The accounting for taxes was a key audit matter because of the complexity associated with different tax jurisdictions and judgements requiring consideration when preparing the Group's tax calculations. In particular, we note there are: • Tax calculations for individual entities with significant current or deferred tax recorded during the period which are subject to different tax jurisdictions and rules. • Consolidated tax models used to calculate the Group tax balances which are manual and complex in nature and therefore may have an increased risk of error. • Deferred tax assets recorded by the Group, some of which relate to tax losses, which require judgement by the Group in assessing whether there will enough future taxable profits in order for these assets to be realised.	We performed the following procedures: • Identified key tax jurisdictions and balances across Speedcast by developing an understanding of the nature of the Group's tax structure and key controls in place to manage the Group's tax reporting requirements. • For those individual entities identified with significant income tax expense or recorded tax payable, we agreed the key inputs in the tax calculations to the relevant general ledger balance and assessed the appropriateness of: o Permanent differences included in the calculation of the income tax expense; and o The accounting and tax bases included in the calculation of deferred tax assets and liabilities. • For the Group tax consolidation we agreed key inputs to supporting documentation including underlying entity tax calculations. We tested the mathematical accuracy of the tax consolidation model. • As part of our work we assessed the recoverability of deferred tax balances in particular where balances related to tax losses. In this case, we performed the following: o Identified entities with significant deferred tax assets attributable to tax losses; and

Key audit matter	How our audit addressed the key audit matter
	o Assessed the Group's plans in relation to the recovery of deferred tax assets. We were assisted by PwC tax experts and specialists in performing our work over tax effect accounting.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 December 2017, but does not include the financial report and our auditor's report thereon. Prior to the date of this auditor's report, the other information we obtained included Director's Report and Operating and Financial Review. We expect the remaining other information to be made available to us after the date of this auditor's report, including Chairman's Letter and Chief Executive Officer's Report.

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

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

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

When we read the other information not yet received as identified above, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action to take.

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 *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 the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in the directors' report for the year ended 31 December 2017.

In our opinion, the remuneration report of Speedcast International Limited for the year ended 31 December 2017 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

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Andrew Forman
Partner

Adelaide
29 March 2018