

SPEEDCAST ACQUISITIONS LIMITED
REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2013



羅兵咸永道

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF SPEEDCAST ACQUISITIONS LIMITED**
(Incorporated in Cayman Islands with limited liability)

We have audited the consolidated financial statements of Speedcast Acquisitions Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 3 to 54, which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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



羅兵咸永道

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF SPEEDCAST ACQUISITIONS LIMITED (CONTINUED)
(Incorporated in Cayman Islands with limited liability)

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2013, and of the Group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other Matters

This report, including the opinion, has been prepared for and only for you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

A handwritten signature in black ink, appearing to read "PricewaterhouseCoopers", written in a cursive style.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 26 June 2014

SPEEDCAST ACQUISITIONS LIMITED

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2013**

		Year ended 31 December 2013 US\$	Period from 10 August 2012 (date of incorporation) to 31 December 2012 US\$
	Note		
Turnover	5	90,707,690	10,565,497
Cost of sales	7	(55,455,107)	(6,442,719)
Gross profit		35,252,583	4,122,778
Other (loss)/gain	6	(211,423)	192,958
Distribution costs	7	(1,717,626)	(1,143,561)
Administrative and other expenses	7	(37,853,067)	(6,341,161)
Operating loss		(4,529,533)	(3,168,986)
Finance income	10	56,811	3,249
Finance costs	10	(14,069,385)	(798,382)
Finance costs – net	10	(14,012,574)	(795,133)
Loss before income tax		(18,542,107)	(3,964,119)
Income tax credit	11	2,909,324	1,500,917
Loss for the year/period attributable to owners of the Company		(15,632,783)	(2,463,202)
Other comprehensive income			
Item that may be classified to profit and loss			
- Currency translation difference		4,526,703	-
Total comprehensive loss for the year/period attributable to owners of the Company		(11,106,080)	(2,463,202)

The notes on pages 8 to 54 are an integral part of these consolidated financial statements.

SPEEDCAST ACQUISITIONS LIMITED

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2013**

	Note	2013 US\$	2012 US\$
ASSETS			
Non-current assets			
Property, plant and equipment	13	11,482,628	8,721,036
Intangible assets	14	61,694,380	44,072,650
Deferred tax assets	18	1,322,330	1,521,577
Total non-current assets		74,499,338	54,315,263
Current assets			
Inventories	15	1,579,616	1,100,988
Trade and other receivables	16	16,935,080	9,064,165
Amount due from a shareholder	27	481,271	-
Cash and cash equivalents	17	12,250,213	3,069,762
Total current assets		31,246,180	13,234,915
Total assets		105,745,518	67,550,178
EQUITY			
Equity attributable to owners of the Company			
Share capital	21	2,337	2,115
Share premium	22	35,861,224	31,882,972
Exchange difference arising from translation of subsidiaries		4,526,703	-
Share based payment reserve		181,301	462,555
Accumulated losses		(18,095,985)	(2,463,202)
Total equity		22,475,580	29,884,440

The notes on pages 8 to 54 are an integral part of these consolidated financial statements.

SPEEDCAST ACQUISITIONS LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2013

	Note	2013 US\$	2012 US\$
LIABILITIES			
Non-current liabilities			
Other payables	19	25,641	25,641
Loan from ultimate holding company	27	-	19,000,000
Obligations under finance leases	20	67,863	48,947
Borrowings	28	44,587,498	-
Deferred tax liabilities	18	6,410,401	6,766,324
Total non-current liabilities		<u>51,091,403</u>	<u>25,840,912</u>
Current liabilities			
Trade and other payables	19	26,936,881	11,306,893
Obligations under finance leases	20	34,151	13,048
Amount due to ultimate holding company	27	-	358,913
Borrowings	28	3,314,583	-
Derivative financial instruments	29	211,423	-
Income tax payable		1,681,497	145,972
Total current liabilities		<u>32,178,535</u>	<u>11,824,826</u>
Total liabilities		<u>83,269,938</u>	<u>37,665,738</u>
Total equity and liabilities		<u>105,745,518</u>	<u>67,550,178</u>
Net current (liabilities)/assets		<u>(932,355)</u>	<u>1,410,089</u>
Total assets less current liabilities		<u>74,585,268</u>	<u>55,725,352</u>

The notes on pages 8 to 54 are an integral part of these consolidated financial statements.

The financial statements on pages 3 to 54 were approved by Board of Directors on 26 June 2014 and were signed on its behalf.


.....
Director

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Director

SPEEDCAST ACQUISITIONS LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2013


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.....
Director

.....
Director


J A Mackay

SPEEDCAST ACQUISITIONS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2013

	Attributable to owners of the Company					
	Share capital US\$	Share premium US\$	Accumulated losses US\$	Exchange reserve US\$	Share based payment reserve US\$	Total US\$
At 10 August 2012 (date of incorporation)	-	-	-	-	-	-
Comprehensive loss						
Loss for the period	-	-	(2,463,202)	-	-	(2,463,202)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive loss	-	-	(2,463,202)	-	-	(2,463,202)
Total contributions by and distributions to owners of the company, recognised directly in equity						
Issue of shares	2,115	31,882,972	-	-	-	31,885,087
Share based payment – fair value of finance costs	-	-	-	-	438,300	438,300
Employee share scheme – value of employee services (Notes 8 and 12)	-	-	-	-	24,255	24,255
At 31 December 2012	2,115	31,882,972	(2,463,202)	-	462,555	29,884,440
Comprehensive loss						
Loss for the year	-	-	(15,632,783)	-	-	(15,632,783)
Other comprehensive income						-
Exchange difference arising from translation of subsidiaries	-	-	-	4,526,703	-	4,526,703
Total comprehensive loss	-	-	(15,632,783)	4,526,703	-	(11,106,080)
Total contributions by and distributions to owners of the company, recognised directly in equity						
Share based payment – fair value of finance costs	-	-	-	-	2,871,948	2,871,948
Issue of preference shares	128	3,978,252	-	-	(3,310,248)	668,132
Issue of performance shares	94	-	-	-	-	94
Employee share scheme – value of employee services (Notes 8 and 12)	-	-	-	-	157,046	157,046
At 31 December 2013	2,337	35,861,224	(18,095,985)	4,526,703	181,301	22,475,580

The notes on pages 8 to 54 are an integral part of these consolidated financial statements.

SPEEDCAST ACQUISITIONS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2013

		Year ended 31 December 2013 US\$	Period from 10 August 2012(date of incorporation) to 31 December 2012 US\$
	Note		
Cash flows from operating activities			
Cash generated from/(used in) operations	23	16,840,998	(883,749)
Interest paid		(4,895,757)	-
Overseas tax paid		(993,529)	(124,233)
Net cash generated from/(used in) operating activities		<u>10,951,712</u>	<u>(1,007,982)</u>
Cash flows from investing activities			
Interest received		56,811	3,249
Purchase of property, plant and equipment	13	(4,315,016)	(1,322,694)
Proceeds from disposal of property, plant and equipment	23	48,954	41,424
Business acquisitions and transaction cost	7	(2,559,522)	(3,319,061)
Acquisition of a business		-	(17,553,217)
Acquisition of subsidiaries, net of cash acquired	24.3	(23,708,062)	6,282,130
Net cash used in investing activities		<u>(30,476,835)</u>	<u>(15,868,169)</u>
Cash flows from financing activities			
Proceeds from loan from ultimate holding company		5,000,000	19,000,000
Repayment of loan from ultimate holding company		(24,000,000)	-
Proceeds from borrowings, net of transaction costs		47,800,000	-
Transaction costs of borrowings		(412,500)	-
Repayment of amount due to ultimate holding company		(358,913)	-
Repayments of obligations under finance leases		42,269	60,826
Issuance of preference shares		186,860	884,001
Issuance of performance shares		94	1,086
Net cash generated from financing activities		<u>28,257,810</u>	<u>19,945,913</u>
Net increase in cash and cash equivalents		<u>8,732,687</u>	<u>3,069,762</u>
Cash and cash equivalents at beginning of the year /period		3,069,762	-
Exchange losses on cash and cash equivalents		• 447,764	-
Cash and cash equivalents at the end of the year/period	17	<u>12,250,213</u>	<u>3,069,762</u>

Major non-cash transactions:

During the period ended 31 December 2012, the consideration paid on acquisition of a subsidiary amounting to \$31,000,000 was settled through the amount due to the ultimate holding company.

The notes on pages 8 to 54 are an integral part of these consolidated financial statements.

SPEEDCAST ACQUISITIONS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information

1.1 Incorporation of SpeedCast Acquisitions Limited

SpeedCast Acquisitions Limited ("SAL", "SpeedCast", or "the Company") was incorporated on 10 August 2012. On 16 August 2012, the Company was acquired by funds managed by TA Associates ("TA"), ultimate holding company, incorporated in the United States with the purpose of acquiring SpeedCast Holdings Limited ("SCHL") from Asia Satellite Telecommunications Company Limited.

The Company is majority owned by funds managed by TA.

The Company is an exempted company with limited liability incorporated in Cayman Islands. The address of its registered office is 89 Nexus Way, Camana Bay, Grand Cayman KY1-9007, Cayman Islands.

1.2 Business

The principal activity of the Company is investment holding of subsidiaries that are principally engaged in the provision of satellite-based services.

1.3 Approval of the financial statements

The Board of directors approved the consolidated financial statements for the year ended 31 December 2013 on .

The consolidated financial statements will be presented to the shareholders of the Company for adoption at the Annual General Meeting on .

The consolidated financial statements present the accounting position for the Company and its subsidiaries ("the Group") as of 31 December 2013 and for the year then ended. They are presented in United States dollars, "US\$", and all amounts are rounded to the nearest dollar.

SPEEDCAST ACQUISITIONS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below.

2.1 Basis of preparation and adoption of International Financial Reporting Standards ("IFRS")

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

During the year ended 31 December 2013, the Group reported a loss for the year of US\$15,632,783 and net current liabilities of US\$932,355 as at 31 December 2013. The directors consider the factors as mentioned in Note 3.1 (c), and conclude that it is appropriate to prepare the consolidated financial statements on a going concern basis.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying 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 consolidated financial statements are disclosed in Note 4.

(a) New standards, amendments to standards and interpretations adopted by the Group:

The following new accounting standards, and amendments and interpretation to existing standards are also mandatory to the Group for accounting periods beginning on or after 1 January 2013 but they did not result in any significant impact on the results and financial position of the Group.

IAS 1 (Amendment)	Presentation of items of Other Comprehensive Income
IAS 19 (2011)	Employee Benefits
IAS 27 (2011)	Separate Financial Statements
IAS 28 (2011)	Investments in Associates and Joint Ventures
IFRS 7 (Amendment)	Disclosures – Offsetting Financial Assets and Financial Liabilities
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosures of Interests in Other Entities
IFRS 13	Fair value measurement
I(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine
Amendment to IFRS 1	First-time Adoption of IFRS - Government Loans
Amendment to IFRS 10, 11 and 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
Annual improvement projects	Improvements to IASs and IFRSs 2011

SPEEDCAST ACQUISITIONS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation and adoption of International Financial Reporting Standards ("IFRS") (Continued)

- (b) The following are new standards, amendments to standards and interpretations which have been issued but are not effective for the financial period beginning 1 January 2013:

		Effective for accounting periods beginning on or after
IAS 19 (Amendment)	Defined Benefit Plans	1 July 2014
IAS 32 (Amendment)	Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities	1 January 2014
IAS 36 (Amendment)	Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
IAS 39 (Amendment)	Financial Instrument: Recognition and Measurement Novation of Derivative	1 January 2014
IFRS 7 and 9 (Amendment)	Mandatory Effective Date and Transition Disclosures	1 January 2015
IFRS 9	Financial Instruments	1 January 2015
IFRS 10, 12 and IAS 27 (2011) (Amendment)	Investment Entities	1 January 2014
IFRS 14	Regulatory Deferral Accounts	1 January 2016
IFRS 15	Revenue from Contracts with Customers	1 January 2017
I(IFRIC) - Int 21	Levies	1 January 2014
Annual improvement projects	Improvements to IASs and IFRSs 2012 and 2013	1 July 2014

The Group did not early adopt any of these new standards, amendments to standards and interpretations. The adoption of these new standards, amendments to standards and interpretations in future periods is not expected to result in substantial changes to the Group's accounting policies.

SPEEDCAST ACQUISITIONS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation and adoption of International Financial Reporting Standards ("IFRS") (Continued)

Acquisition of satellite business in Netherlands

On 28 December 2012, the Group entered into a share purchase agreement with Elektrikom Holding BV, Irdetum Holding BV and Andre Eerland, the shareholders of Satfa BV and Elektrikom BV ("Elektrikom") to purchase 100% of the share capital of Elektrikom. Elektrikom is a maritime satellite communications service provider based in Schiedam, Netherlands. The acquisition was completed on 16 January 2013. Details of the acquisition are set out in Note 24.1.

Acquisition of satellite business in Australia

On 29 March 2013, the Group entered into a share purchase agreement with INES Investments Pty Limited, IPDO Communications Pty. Ltd., Molloy Taylor Holdings Pty Limited, Andrew Scott Taylor and Steffen Tobias Holzt, the shareholders of Pactel International Pty Ltd ("Pactel") to purchase 100% of the share capital of Pactel. Pactel is a satellite communications service provider based in Sydney Australia. The acquisition was completed on 31 May 2013. Details of the acquisition are set out in Note 24.2.

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 December.

Certain comparative figures have been reclassified to conform to the current year's presentation.

2.2 Subsidiaries

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values 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 their fair values 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 an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

SPEEDCAST ACQUISITIONS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in United States dollars (US\$), which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statement of comprehensive income within "finance cost - net". 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 comprehensive income within "Administrative and other expenses".

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;
- (ii) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- (iii) all resulting exchange differences are recognised in the other comprehensive income.

2.4 Property, plant and equipment

Property, plant and equipment are 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 comprehensive income during the financial year in which they are incurred.

SPEEDCAST ACQUISITIONS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.4 Property, plant and equipment (Continued)

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	15% - 20%
2-way equipment	20% - 50%
Teleport equipment	20%
Computer equipment	25% - 50%
Leasehold improvements	2-10 years over the unexpired period of the lease, whichever is shorter
Network operations center ("NOC") equipment	6 - 20%
Remote content servers ("RCS") equipment	50%
Motor vehicles	20% - 33%

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

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 (Note 2.7).

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are recognised within "Administrative and other expenses" in the consolidated statement of comprehensive income.

2.5 Goodwill

Goodwill arises on the acquisition of 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 acquired in a business is allocated to each of the individual entities, or groups of entities, that is expected to benefit from the synergies of the combination. Each entity or group of entities to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

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

SPEEDCAST ACQUISITIONS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.6 Intangible assets

Customer relationship, supplier contracts and trademark

The acquired customer relationships and trademark 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. Amortisation is calculated using the straight-line method over the expected life of the assets, as follows:

Customer relationship	10 to 12 years
Supplier contracts	5 years
Trademark	17 to 20 years (Note)
Brand name	20 years (Note)

Note: 3 months remaining useful life at 31 December 2013 due to rebranding

2.7 Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. 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 (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.8 Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised immediately in the "other (loss)/gain" in the consolidated statement of comprehensive income.

2.9 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first out (FIFO) method and comprises all costs of purchase and other costs incurred in bringing the inventories to their present locations and conditions. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.10 Financial assets

(a) 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 maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables", "cash and cash equivalents" and "amount due from a shareholder" in the statement of financial position (Notes 2.11 and 2.12). Loans and receivables are subsequently carried at amortised cost using the effective interest method.

SPEEDCAST ACQUISITIONS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.10 Financial assets (Continued)

(b) 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 indicate 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;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
 - (i) adverse changes in the payment status of borrowers in the portfolio; and
 - (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of comprehensive income. If 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. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

SPEEDCAST ACQUISITIONS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.10 Financial assets (Continued)

(b) Impairment of financial assets carried at amortised cost (Continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of comprehensive income.

2.11 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

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

2.12 Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks.

2.13 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.

2.14 Share capital

Ordinary shares are classified as equity.

SPEEDCAST ACQUISITIONS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.15 Employee benefits

(a) 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.

(b) 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.

(c) 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 comprehensive income, with a corresponding adjustment to equity.

SPEEDCAST ACQUISITIONS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.16 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 the provision due to passage of time is recognised as interest expense.

2.17 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any differences between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of 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.

2.18 Borrowing costs

Borrowing costs are recognised in the consolidated statement of comprehensive income in the period in which they are incurred.

2.19 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivables, and represents amounts receivable for goods supplied, stated 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. The Group bases its estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

- (a) Broadband access revenue is recognised when the broadband access services are rendered.
- (b) Sale of broadband services equipment is recognised upon the transfer of risks and rewards of ownership, which generally coincides with the time when goods are delivered to customers and title is passed.

SPEEDCAST ACQUISITIONS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.19 Revenue recognition (Continued)

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

2.20 Leases (as the lessee)

(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 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 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.

2.21 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

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, the 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 substantively 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.

SPEEDCAST ACQUISITIONS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.21 Current and deferred income tax (Continued)

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 difference 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.

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, credit risk, liquidity risk and cash flow interest-rate risk that arise in the normal course of the Group's business. 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 seek to minimise potential adverse effects on the Group's financial performance.

(a) Foreign exchange risk

The Group trades with international customers and suppliers and may potentially be exposed to foreign exchange risk arising from various currency exposures. To manage the foreign exchange risk arising from the Group's commercial transactions, most agreements with its customers and suppliers were denominated in United States dollars. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities denominated in currencies other than the functional currency of the Group's entities to which they relate. The Group is exposed to foreign exchange risk from various currencies, primarily with respect to Hong Kong dollars and Australian dollars.

As Hong Kong dollars is pegged to United States dollars, the management considers that there is no risk between these two currencies to the Group.

As at 31 December 2013, if the United States dollars had strengthened/weakened by 5% against the Australian dollars with all other variables held constant, the loss for the year would have increased/decreased by approximately US\$1,582,000 (2012: US\$699,000) as a result of the translation of US\$ denominated borrowings and payables of a subsidiary.

(b) 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.

SPEEDCAST ACQUISITIONS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

For credit exposure to customers, the Group trades only with recognised, creditworthy 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 16. Moreover, the Company has policies in place to assess the credit quality of balances with related companies, taking into account its financial positions, past experience and other factors.

Four customers (2012: Four customers) accounted for approximately 14% and 22% of the Group's trade receivables as at 31 December 2013 and 2012 respectively. These customers have long business relationships with the Group and there is no past history of default.

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity 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 requirement in the short and longer term. Management believes there is no 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; possible changes in the operational performance. 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, and with the Group's continuing efforts to control capital expenditure and costs, enhance operating results and renew the revolving facility, 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 table below analyses the Group's non-derivative financial liabilities as at 31 December 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.

	Within 1 year US\$	Between 2 to 5 years US\$	Total US\$
At 31 December 2013			
Trade and other payables	17,865,688	26,923	17,892,611
Obligations under finance leases and interest	36,883	73,292	110,175
Borrowings and interest	<u>3,502,012</u>	<u>46,899,119</u>	<u>50,401,131</u>

SPEEDCAST ACQUISITIONS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

	Within 1 year US\$	Between 2 to 5 years US\$	Total US\$
At 31 December 2012			
Trade and other payables	6,336,568	25,641	6,362,209
Obligations under finance leases and interest	15,298	52,316	67,614
Amount due to ultimate holding company	358,913	-	358,913
Loan from ultimate holding company	2,280,000	30,400,000	32,680,000

The table below analyses the Group's derivative financial instruments that will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. For details, please refer to note 29.

	Within 1 year US\$	Between 2 to 5 years US\$	Total US\$
At 31 December 2013			
Outflow in US dollars	198,665	179,106	377,771
Inflow in US dollars	36,828	34,179	71,007

(d) Cash flow interest-rate risk

The Group is exposed interest rate risk

The derivative instruments acquired by the Group are designed to manage those risks albeit the Group does not engage in hedge accounting as defined by IAS 39.

The Group's interest rate risk arises principally from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. The Group manages this risk using interest rate swaps and options which fix the interest rate ranged from 5.5% to 5.975% for \$25.5 million (51% of the initial principal amount) of the term loan. The marked-to-market valuation of these interest rate swaps and options is negative and amounts to US\$211,423 as of 31 December 2013. (2012: Nil)

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. The Group actively and regularly reviews and manages its capital structure to ensure an optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group has no formal dividend policy and it generally retains its profit as capital of the Group for future use.

SPEEDCAST ACQUISITIONS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management (Continued)

3.3 Fair value estimation

As of 31 December 2013, the carrying values of the Group's financial assets and financial liabilities are reasonable approximation of their fair values due to their relatively short term nature of these financial instruments.

The table below analyses financial instruments carried at fair value, by valuation method. 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).
- Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The following table presents the Group's financial assets and liabilities that are measured at fair value.

	Level 1 US\$	Level 2 US\$	Level 3 US\$	Total US\$
At 31 December 2013				
Liabilities				
Derivative financial instruments				
- Interest rate swap contracts	-	153,047	-	153,047
- Interest rate cap/floor/collar contracts	-	58,376	-	58,376

SPEEDCAST ACQUISITIONS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management (Continued)

3.3 Fair value estimation (Continued)

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

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.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

The carrying amounts of the Group's financial assets, including trade and other receivables, and cash and cash equivalents and amount due from a shareholder, and the Group's 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.

SPEEDCAST ACQUISITIONS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 Critical accounting estimates and judgments

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 estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions 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.

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

The Group applies the acquisition method of accounting to account for acquisitions of businesses. The determination and allocation of fair values to the identifiable assets acquired and liabilities assumed is based on various assumptions and valuation methodologies requiring considerable management judgment. The most significant variables in these valuations are discount rates, terminal values, the number of years on which the cash flow projections are based, as well as the assumptions and estimates used to determine the cash inflows and outflows. Management determines discount rates to be used based on the risk inherent in the related activity's current business model and industry comparisons. Terminal values are based on the expected life of products and forecasted life cycle and forecasted cash flows over that period. Although the assumptions applied in the determination are reasonable based on information available at the date of acquisition, actual results may differ from the forecasted amounts and the difference could be material.

- (b) Provision for impairment of trade receivables

The Group maintains provision for impairment of trade receivables and for estimated losses that result from the inability of its customers to make the required payments. The Group bases its provision on the likelihood of recoverability of account receivables based on past experience and current collection trends that are expected to continue. The Group's evaluation also includes the length of time the receivables are past due and the general business environment. A considerable amount of judgment is required in assessing the ultimate realisation of the receivables. If financial conditions of the customers were to deteriorate, resulting in an impairment of their ability to make payments, additional provision will be required. At 31 December 2013, the carrying amount of trade receivables after provision for impairment amounted to US\$11,985,412 (2012: US\$5,953,058).

- (c) Impairment assessment of goodwill and other intangible assets

In accordance with IFRS, an impairment charge is required for both goodwill and other intangible assets when the carrying amount exceeds the recoverable amount, defined as the higher of fair value less costs to sell and value in use. Our approach in determining the recoverable amount utilises a discounted cash flow methodology, which necessarily involves making numerous estimates and assumptions regarding revenue growth, operating margins, tax rates, appropriate discount rates and working capital requirements.

SPEEDCAST ACQUISITIONS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 Critical accounting estimates and judgments (Continued)

(d) 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 anticipated tax audit issues, 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 that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made

5 Turnover

	Year ended 31 December 2013 US\$	Period from 10 August 2012 (date of incorporation) to 31 December 2012 US\$
Broadband access revenue	81,237,790	10,080,681
Sale of broadband services equipment	9,469,900	484,816
	<u>90,707,690</u>	<u>10,565,497</u>

6 Other (loss)/gain

	Year ended 31 December 2013 US\$	Period from 10 August 2012 (date of incorporation) to 31 December 2012 US\$
Fair value loss on derivative financial instruments	(211,423)	-
Gain on acquisition of a wholly owned subsidiary	-	192,958
	<u>(211,423)</u>	<u>192,958</u>

SPEEDCAST ACQUISITIONS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7 Expenses by nature

Expenses included in cost of sales, distribution costs and administrative and other expenses are analysed as follows:

	Year ended 31 December 2013 US\$	Period from 10 August 2012(date of incorporation) to 31 December 2012 US\$
Auditor's remuneration	243,681	110,982
Depreciation of property, plant and equipment (Note 13)	3,223,636	564,012
Amortisation of intangible assets (Note 14)	12,718,932	811,296
Loss/(gain) on disposal of property, plant and equipment	1,167	(1,282)
Cost of inventories and services provided	55,455,107	6,442,719
Operating lease payments in respect of:		
- Office premises	758,907	125,499
- Property, plant and equipment	35,161	3,839
Provision for impairment of trade receivables (Note 16)	1,142,384	61,051
Employee benefit expenses (Note 8)	13,298,325	1,529,466
Foreign exchange losses	429,819	-
Acquisition related costs (Note 24.3)	2,559,522	3,319,061
	<u>13,298,325</u>	<u>1,529,466</u>

8 Employees benefit expenses (including directors' emoluments)

	Year ended 31 December 2013 US\$	Period from 10 August 2012(date of incorporation) to 31 December 2012 US\$
Salaries and allowances	12,638,425	1,387,423
Contributions to defined contribution plans	502,854	117,788
Share-based payment expense (Note 12)	157,046	24,255
	<u>13,298,325</u>	<u>1,529,466</u>

SPEEDCAST ACQUISITIONS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9 Directors' emoluments

The aggregate amounts of emoluments payable to directors of the Company during the period are as follows:

	Year ended 31 December 2013 US\$	Period from 10 August 2012(date of incorporation) to 31 December 2012 US\$
Fees	38,000	8,000
Other emoluments		
Basic salaries, pension costs and allowances	1,640,548	543,248
	<u>1,678,548</u>	<u>551,248</u>

10 Finance costs - net

	Year ended 31 December 2013 US\$	Period from 10 August 2012(date of incorporation) to 31 December 2012 US\$
Finance income:		
- Interest income from bank deposits	43,764	3,249
- Interest income from amount due from a shareholder (Note 27(e))	13,047	-
	<u>56,811</u>	<u>3,249</u>
Finance charges on:		
- obligations under finance leases	(2,250)	(1,169)
- loan from ultimate holding company (Note 27(d))	(2,872,464)	(438,300)
- early repayment penalty of loan from ultimate holding company (Note 28)	(1,371,589)	-
- foreign exchange loss on borrowings	(5,789,419)	-
Interest expenses on:		
- loan from ultimate holding company (Note 27(a))	(1,143,753)	(358,913)
- borrowings which are repayable in five years	(2,764,646)	-
- undrawn revolving facility	(125,264)	-
Finance costs	<u>(14,069,385)</u>	<u>(798,382)</u>
Finance costs - net	<u>(14,012,574)</u>	<u>(795,133)</u>

SPEEDCAST ACQUISITIONS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 Income tax credit

No provision for Hong Kong profits tax has been made in the consolidated financial statements as the Group's entities had sufficient tax losses to offset the estimated assessable profit for the period. The rate of taxation prevailing in Hong Kong in which the Group principally operates is 16.5% (2012: 16.5%).

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	Year ended 31 December 2013 US\$	Period from 10 August 2012(date of incorporation) to 31 December 2012 US\$
Current tax- overseas	2,643,494	144,894
Over provision in prior years	(114,438)	-
Deferred income tax (Note 18)	(5,438,380)	(1,645,811)
Total income tax credit	<u>(2,909,324)</u>	<u>(1,500,917)</u>

The tax on the Group's loss 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:

	Year ended 31 December 2013 US\$	Period from 10 August 2012(date of incorporation) to 31 December 2012 US\$
Loss before income tax	<u>(18,542,107)</u>	<u>(3,964,119)</u>
Tax calculated at domestic tax rates applicable to profits in the respective countries	(4,342,929)	(591,933)
Tax effects of:		
Expenses not deductible for tax purposes	1,828,250	1,113,004
Income not subject to tax	(294,616)	(23,797)
Utilisation of previously unrecognised tax losses	-	(484,480)
Recognition of previously unrecognised temporary difference	(183,047)	(1,513,711)
Tax losses for which no deferred income tax asset was unrecognised	208,700	-
Over provision for prior years	(125,682)	-
Income tax credit	<u>(2,909,324)</u>	<u>(1,500,917)</u>

SPEEDCAST ACQUISITIONS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 Share-based payment

The Company has established an equity-settled ownership based compensation scheme for key members of management. The objective of the plan is to motivate and align the interests of management with those of the investors in the Company. In accordance with the provisions of the plan, key managers were offered the right to subscribe to performance shares at a price of \$0.0001 per share. The shares will vest according to the following schedule:

On 12 th month of the grant date	25%
On 15 th month of the grant date	6.25%
On 18 th month of the grant date	6.25%
On 21 st month of the grant date	6.25%
On 24 th month of the grant date	6.25%
On 27 th month of the grant date	6.25%
On 30 th month of the grant date	6.25%
On 33 rd month of the grant date	6.25%
On 36 th month of the grant date	6.25%
On 39 th month of the grant date	6.25%
On 42 nd month of the grant date	6.25%
On 45 th month of the grant date	6.25%
On 48 th month of the grant date	6.25%

Vesting ceases at resignation of a manager, at which point 50% of the vested shares are redeemed at nil value, as are non-vested shares. Upon the occurrence of certain events, including liquidation, dissolution or winding-up of the Company, and a sale of the majority of the equity of the Company, the unvested shares will be deemed to be vested for managers in good standing.

Under certain circumstances, including a manager's departure or bankruptcy, the Company has the right to repurchase vested shares at fair market value (or the lower of US\$0.0001 and fair market value in case the manager is dismissed for cause).

The shares are non-transferable, except under the following cases:

- Under certain circumstances, as described above, the Company can repurchase the shares
- If there is a change of control of the Company, the ultimate holding company has the right to require transfer of the performance shares, and the holders of the performance shares have the right to sell their shares.

The fair value per share on the grant date is US\$0.0536 (2012: US\$0.0536). Movements in the number of shares are as follow:

	Number of shares	
	2013	2012
At beginning of year/period	10,859,375	-
Granted	937,500	10,859,375
At 31 December	<u>11,796,875</u>	<u>10,859,375</u>

SPEEDCAST ACQUISITIONS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 Share-based payment (Continued)

During the year, the Group recognised share-based payment of US\$157,046 (2012: US\$24,255) in the consolidated statement of comprehensive income and a corresponding increase in share based payment reserve of the same amount in respect of the fair value of the shares granted by the Company to certain employees of the Group in connection with their services rendered to the Group for the year.

Fair value of shares and assumptions

The fair value of services received in return for shares granted are measured by reference to the fair value of shares granted. The estimate of the fair value of services received is measured based on the Monte Carlo Simulation. The factors considered in the valuation included the terms and structure of the share schemes, price and volatility of company in similar industry and any other relevant information in relation to the shares such as dividend policy and expected exercise pattern of the shares.

Holders of performance shares are entitled to specified variable returns upon the occurrence of liquidation events. For the purpose of valuing the performance shares, it is assumed that a liquidation event would occur 6.1 years from the grant date. Other key assumptions adopted are set out below:

	Year ended 31 December 2013	Period from 10 August 2012(date of incorporation) to 31 December 2012
Exercise price	US\$0.0001	US\$0.0001
Expected volatility	39.70%	39.70%
Risk-free rate	0.95%	0.95%
Expected dividend yield	0%	0%

SPEEDCAST ACQUISITIONS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13

Property, plant and equipment

	Office equipment US\$	2-way equipment US\$	Teleport equipment US\$	Computer equipment US\$	Leasehold improvements US\$	NOC equipment US\$	RCS equipment US\$	Motor vehicles US\$	Total amount US\$
At 10 August 2012									
Cost	-	-	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-	-	-
Net book amount									
Period end 31 December 2012									
Opening net book amount	-	-	-	-	-	-	-	-	-
Acquisition of the Australian Satellite Communications Pty Ltd ("ASC") business	8,523	-	224,297	276,697	-	1,301,287	-	46,087	1,856,891
Acquisition of SCHL	44,505	5,042,842	32,647	20,599	113,701	883,839	7,472	-	6,145,605
Additions	-	1,152,982	-	6,951	47,295	22,018	-	93,448	1,322,694
Disposals	-	-	-	-	-	(4,245)	-	(35,897)	(40,142)
Depreciation	(4,305)	(392,131)	(11,605)	(14,628)	(25,219)	(114,247)	(1,096)	(781)	(564,012)
Closing net book amount	48,723	5,803,693	245,339	289,619	135,777	2,088,652	6,376	102,857	8,721,036
At 31 December 2012									
Cost	53,028	6,195,824	256,944	304,247	160,996	2,202,899	7,472	103,638	9,285,048
Accumulated depreciation	(4,305)	(392,131)	(11,605)	(14,628)	(25,219)	(114,247)	(1,096)	(781)	(564,012)
Net book amount	48,723	5,803,693	245,339	289,619	135,777	2,088,652	6,376	102,857	8,721,036

SPEEDCAST ACQUISITIONS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 Property, plant and equipment (Continued)

	Office equipment US\$	2-way equipment US\$	Teleport equipment US\$	Computer equipment US\$	Leasehold improvements US\$	NOC Equipment US\$	RCS equipment US\$	Motor vehicles US\$	Total amount US\$
Year end 31 December 2013									
Opening net book amount	48,722	5,803,691	245,340	289,619	135,777	2,088,654	6,376	102,857	8,721,036
Acquisition of Elektrikom (Note 24.1)	84,191	-	-	-	-	800,015	-	40,074	924,280
Acquisition of Pactel (Note 24.2)	103,574	-	-	212,103	6,404	814,409	-	22,958	1,159,448
Additions	113,125	2,727,537	-	213,845	39,115	1,209,730	11,664	-	4,315,016
Disposals	(2,921)	(22,446)	-	(2,722)	-	(18,512)	-	(3,520)	(50,121)
Depreciation	(56,949)	(1,763,521)	(31,140)	(132,222)	(80,007)	(1,107,013)	(3,870)	(48,914)	(3,223,636)
Exchange differences	(38,378)	-	(29,901)	(40,290)	(465)	(247,212)	-	(7,149)	(363,395)
Closing net book amount	251,364	6,745,261	184,299	540,333	100,824	3,540,071	14,170	106,306	11,482,628
At 31 December 2013									
Cost	490,087	13,083,452	749,327	1,921,640	837,844	7,589,675	616,814	166,565	25,455,404
Accumulated depreciation	(238,723)	(6,338,191)	(565,028)	(1,381,307)	(737,020)	(4,049,604)	(602,644)	(60,259)	(13,972,776)
Net book amount	251,364	6,745,261	184,299	540,333	100,824	3,540,071	14,170	106,306	11,482,628

At 31 December 2013, the Group had US\$102,014 (2012: US\$61,995) office equipment held under finance leases.

SPEEDCAST ACQUISITIONS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 Intangible assets

	Goodwill US\$	Customer Relationship US\$	Supplier contracts US\$	Trademark US\$	Brandname US\$	Total US\$
Period ended 31 December 2012						
Opening net book amount at 10 August 2012	-	-	-	-	-	-
Acquisition	-	-	19,050,807	5,423,422	-	24,474,229
Acquisition of the ASC business	10,902,017	3,606,333	-	5,901,367	-	20,409,717
Amortisation charge	-	(30,053)	(680,386)	(100,857)	-	(811,296)
Closing net book amount	10,902,017	3,576,280	18,370,421	11,223,932	-	44,072,650
As at 31 December 2012						
Cost	10,902,017	3,606,333	19,050,807	11,324,789	-	44,883,946
Accumulated amortisation	-	(30,053)	(680,386)	(100,857)	-	(811,296)
Net book amount	10,902,017	3,576,280	18,370,421	11,223,932	-	44,072,650
Year ended 31 December 2013						
Opening net book amount	10,902,017	3,576,280	18,370,421	11,223,932	-	44,072,650
Acquisition (Note 24)	14,974,751	12,918,000	-	3,757,000	433,000	32,082,751
Amortisation charge	-	(1,118,666)	(3,810,161)	(7,445,075)	(345,030)	(12,718,932)
Exchange differences	-	(1,270,226)	-	(471,777)	(86)	(1,742,089)
Closing net book amount	25,876,768	14,105,388	14,560,260	7,064,080	87,884	61,694,380
As at 31 December 2013						
Cost	25,876,768	16,524,333	19,050,807	15,081,789	433,000	76,966,697
Accumulated amortisation	-	(2,418,945)	(4,490,547)	(8,017,709)	(345,116)	(15,272,317)
Net book amount	25,876,768	14,105,388	14,560,260	7,064,080	87,884	61,694,380

Amortisation charge of intangible assets has been included in "administrative and other expenses" for the year ended 31 December 2013 and 2012.

SPEEDCAST ACQUISITIONS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 Intangible assets (Continued)

Note: Goodwill is allocated to the Group's CGU identified according to the operating segment. The board of directors regards the Group's business as a single operating segment and reviews the financial information of the Group accordingly. The Group performs impairment tests on goodwill annually, or more frequently if there is any indication that it may be impaired, by comparing the recoverable amount to the carrying amount as at the balance sheet date. As at 31 December 2013, the recoverable amount of the CGU was determined based on value-in-use calculations. These calculations used cash flow projections based on financial budgets approved by management covering a 5-year period. The pre-tax discount rate and the estimated weighted average annual sales growth rate after the 5-year budgeted period applied to the cash flow projections was approximately 20% and 3% respectively. The budgeted gross profit margin and net profit margin were determined by the management for the CGU based on past performance and its expectations for market development. Management believes that any reasonably foreseeable change in any of the above key assumptions would not cause the carrying amount of goodwill to exceed the recoverable amount significantly.

15 Inventories

	2013 US\$	2012 US\$
Merchandise	1,579,616	1,100,988
Less: Provision for impairment	-	-
	<u>1,579,616</u>	<u>1,100,988</u>

The cost of inventories recognised as expense and included in cost of sales amounted to US\$6,134,523 (2012: US\$1,253,242).

16 Trade and other receivables

	2013 US\$	2012 US\$
Trade receivables	13,501,959	6,101,369
Less: Provision for impairment of trade receivables	(1,516,547)	(148,311)
Trade receivables – net	<u>11,985,412</u>	<u>5,953,058</u>
Deposits and prepayments	3,469,641	2,794,232
Other receivables	1,480,027	316,875
	<u>16,935,080</u>	<u>9,064,165</u>

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

SPEEDCAST ACQUISITIONS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 Trade and other receivables (Continued)

The majority of the Group's sales are with credit terms of 30 to 60 days. The ageing analysis of the trade receivables based on invoice date is as follows:

	2013 US\$	2012 US\$
0 to 30 days	6,446,369	3,316,822
31 to 60 days	2,957,667	891,904
61 to 90 days	848,099	492,702
91 to 180 days	1,266,113	994,797
181 days or above	1,983,711	405,144
	<u>13,501,959</u>	<u>6,101,369</u>

As of 31 December 2013, trade receivables of US\$1,516,547 (2012: US\$148,311) were impaired and fully provided for. The impaired receivables mainly relate to customers' failure to make payment for more than six months from invoice date. The ageing analysis of these receivables is as follows:

	2013 US\$	2012 US\$
0 to 30 days	35,087	-
31 to 60 days	1,250	-
61 to 90 days	41,172	-
91 to 180 days	73,481	-
181 days or above	1,365,557	148,311
	<u>1,516,547</u>	<u>148,311</u>

Movements on the provision for impairment of trade receivables are as follows:

	2013 US\$	2012 US\$
At beginning of year/period	148,311	-
Acquisition of SCHL	-	125,810
Acquisition of Elektrikom	374,163	-
Provision for impairment of trade receivables (Note 7)	1,142,384	61,051
Amounts written off	(148,311)	(38,550)
	<u>1,516,547</u>	<u>148,311</u>

The creation and release of provision for impaired receivables have been included in "Administrative and other expenses" in the consolidated statement of comprehensive income.

Amounts charged to the allowance accounts are generally written off when there is no expectation of recovery of additional cash.

SPEEDCAST ACQUISITIONS LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****16 Trade and other receivables (Continued)**

The ageing analysis of trade receivables based on invoice date that are neither individually nor collectively considered to be impaired is as follows:

	2013 US\$	2012 US\$
0 to 30 days	6,411,282	3,316,822
31 to 60 days	2,956,417	891,904
61 to 90 days	806,924	492,702
91 to 180 days	1,192,632	994,797
181 days or above	618,157	256,833
	<u>11,985,412</u>	<u>5,953,058</u>

At 31 December 2013, the other classes within trade and other receivables did not contain impaired assets. (2012: Nil)

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. The Group does not hold any collateral as security.

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	2013 US\$	2012 US\$
United States dollars	10,035,288	7,193,848
Hong Kong dollars	145,940	163,845
Malaysian Ringgits	925,470	567,809
United Arab Emirates Dirham	62,721	356,741
Australian dollars	2,670,052	754,874
EURO	3,047,783	-
Others	47,826	27,048
	<u>16,935,080</u>	<u>9,064,165</u>

17 Cash and cash equivalents

	2013 US\$	2012 US\$
Cash at bank and in hand	<u>12,250,213</u>	<u>3,069,762</u>

SPEEDCAST ACQUISITIONS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 Cash and cash equivalents (Continued)

The carrying amounts of the Group's cash and cash equivalents are denominated in the following currencies:

	2013 US\$	2012 US\$
United States dollars	7,910,752	2,364,369
Hong Kong dollars	105,238	77,486
Malaysian Ringgits	209,944	244,252
United Arab Emirates Dirham	11,582	14,489
Australian dollars	2,706,968	332,332
EURO	1,283,845	905
Others	21,884	35,929
	<u>12,250,213</u>	<u>3,069,762</u>

18 Deferred income tax

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

	2013 US\$	2012 US\$
Deferred tax assets to be recovered within 12 months	(1,322,330)	(1,521,577)
Deferred tax liabilities to be recovered after more than 12 months	<u>6,410,401</u>	<u>6,766,324</u>
Deferred tax liabilities (net)	<u>5,088,071</u>	<u>5,244,747</u>

The gross movement on the deferred income tax account is as follows:

	2013 US\$	2012 US\$
At beginning of year/period	5,244,747	-
Acquisition of SCHL	-	4,038,248
Acquisition of the ASC business	-	2,852,310
Acquisition of the Elektrikom (Note 24.1)	455,887	-
Acquisition of the Pactel (Note 24.2)	4,791,000	-
Credited to the profit or loss (Note 11)	(5,438,380)	(1,645,811)
Debited to exchange reserve	<u>34,817</u>	<u>-</u>
At 31 December	<u>5,088,071</u>	<u>5,244,747</u>

The movement in deferred income tax assets and liabilities during the period without taking into consideration the offsetting of balance within same tax justification are as follows:

SPEEDCAST ACQUISITIONS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 Deferred income tax (Continued)

Deferred tax liabilities

	Business Acquisition	
	2013 US\$	2012 US\$
At beginning of year/period	6,766,324	-
Acquisition of SCHL	-	4,038,248
Acquisition of the ASC business	-	2,852,310
Acquisition of Eletrikom (Note 24.1)	455,887	-
Acquisition of Pactel (Note 24.2)	4,791,000	-
Credited to the profit or loss	(4,579,289)	(124,234)
Exchange difference	(5,236)	-
At 31 December	<u>7,428,686</u>	<u>6,766,324</u>

Deferred tax assets

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. As at 31 December 2013, the Group did not recognize deferred income tax assets of US\$225,660 (2012: Nil) in respect of losses amounting to US\$902,641 (2012: Nil) that can be carried forward against future taxable income and the losses expire in 2021.

The Group recognised deferred income tax assets of US\$2,340,615 (2012: US\$1,521,577) in respect of the tax loss of US\$11,408,411 (2012: US\$9,221,679) respectively. The tax losses do not expire under the current tax legislation.

	Accelerated tax depreciation		Tax losses		Others		Total	
	2013 US\$	2012 US\$	2013 US\$	2012 US\$	2013 US\$	2012 US\$	2013 US\$	2012 US\$
At beginning of year/period	-	-	(1,513,711)	-	(7,866)	-	(1,521,577)	-
(Charged)/credited to the profit or loss	(52,268)	-	191,380	(1,513,711)	(958,150)	(7,866)	(819,038)	(1,521,577)
At 31 December	<u>(52,268)</u>	<u>-</u>	<u>(1,322,331)</u>	<u>(1,513,711)</u>	<u>(966,016)</u>	<u>(7,866)</u>	<u>(2,340,615)</u>	<u>(1,521,577)</u>

SPEEDCAST ACQUISITIONS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 Trade and other payables

	2013 US\$	2012 US\$
Trade payables		
Due to third parties	7,299,457	3,190,974
Other payables		
Accrued charges and other creditors	7,380,904	3,171,235
Contingent consideration (Note 24.2)	4,506,316	-
Advance receipts	3,606,385	2,769,254
Deferred revenue	4,169,460	2,201,071
	<u>19,663,065</u>	<u>8,141,560</u>
Total trade and other payables	<u>26,962,522</u>	<u>11,332,534</u>
Less: non-current portion	<u>(25,641)</u>	<u>(25,641)</u>
Current portion	<u>26,936,881</u>	<u>11,306,893</u>

The carrying amounts are denominated in the following currencies:

	2013 US\$	2012 US\$
United States dollars	18,744,573	7,280,417
Hong Kong dollars	561,038	598,510
Australian dollars	6,132,736	2,306,604
EURO	988,412	85,975
Others	535,763	1,061,028
	<u>26,962,522</u>	<u>11,332,534</u>

SPEEDCAST ACQUISITIONS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 Obligations under finance leases

At 31 December 2013, the Group had obligations under finance lease repayable as follows:

	As at 31 December 2013		As at 31 December 2012	
	Minimum	Present	Minimum	Present
	lease	value of	lease	value of
	payments	minimum	payments	minimum
	US\$	lease	US\$	lease
		payments		payments
		US\$		US\$
Within one year	35,841	34,151	15,298	13,048
Within 2nd - 5th year	69,567	67,863	52,316	48,947
Less: Future finance charges	(3,394)	-	(5,619)	-
Present value of lease obligations	<u>102,014</u>	<u>102,014</u>	<u>61,995</u>	<u>61,995</u>

The interest rate of the finance leases was 8% (2012: 8%) for the office equipment and 1.75% (2012: 1.75%) for motor vehicles respectively.

21 Share capital

	No. of Shares	As at 31 December 2012 US\$
Authorised:		
Preference shares of US\$0.0001 each	235,000,000	23,500
Performance shares of US\$0.0001 each	<u>30,000,000</u>	<u>3,000</u>
Issued:		
Preference shares of US\$0.0001 each	10,285,260	1,029
Performance shares of US\$0.0001 each	<u>10,859,375</u>	<u>1,086</u>
	No. of Shares	As at 31 December 2013 US\$
Authorised:		
Preference shares of US\$0.0001 each	235,000,000	23,500
Performance shares of US\$0.0001 each	<u>30,000,000</u>	<u>3,000</u>
Issued:		
Preference shares of US\$0.0001 each	11,568,525	1,157
Performance shares of US\$0.0001 each	<u>11,796,875</u>	<u>1,180</u>

SPEEDCAST ACQUISITIONS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22 Share premium

Share premium represents the difference between the nominal value of share capital of the Company issued and the consideration received upon the issue of shares and net off with unvested performance share's reserve.

23 Cash generated from/(used in) operations

	Year ended 31 December 2013 US\$	Period from 10 August 2012(date of incorporation) to 31 December 2012 US\$
Loss before income tax	(18,542,107)	(3,964,119)
Adjustments for:		
Depreciation of property, plant and equipment	3,223,636	564,012
Amortisation of intangible assets	12,718,932	811,296
Loss/(gain) on disposal of property, plant and equipment	1,167	(1,282)
Gain on acquisition of a wholly owned subsidiary	-	(192,958)
Share-based payment expense	157,047	24,255
Fair value loss on derivative financial instruments	211,423	-
Provision for impairment of trade receivables	1,142,384	61,051
Finance income	(56,811)	(3,249)
Finance costs	8,280,036	798,382
Exchange exchange loss from borrowings	5,789,419	-
Foreign exchange losses	429,819	-
Acquisitions related costs	2,559,522	3,319,061
Changes in working capital:		
Inventories	326,571	142,641
Trade and other receivables	(1,592,447)	(2,105,882)
Trade and other payables	2,192,407	(336,957)
Cash generated from/(used in) operations	<u>16,840,998</u>	<u>(883,749)</u>

SPEEDCAST ACQUISITIONS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 Cash used in operations (Continued)

In the consolidated statement of cash flows, proceeds from sale of property, plant and equipment comprise:

	Year ended 31 December 2013 US\$	Period from 10 August 2012(date of incorporation) to 31 December 2012 US\$
Net book amount	50,121	40,142
(Loss)/gain on disposal of property, plant and equipment	(1,167)	1,282
Proceeds from disposal of property, plant and equipment	<u>48,954</u>	<u>41,424</u>

During the period ended 31 December 2012, the principal non-cash transaction in 2012 was the proceeds from issuance of shares in the amount of US\$31,000,000, due from ultimate holding company which was net off with the amount due to ultimate holding company of US\$31,000,000, of which US\$29,735,000 represented the amount paid for the acquisition of SCHL on behalf of the Group. The remaining balance of US\$1,265,000 represented acquisition-related costs for the acquisition of SCHL paid by the ultimate holding company on behalf of the Group. The amount due from/to ultimate holding company was agreed to be net settled by the parties.

24 Business combinations

As of the date of this report, verifications of individual assets or liabilities of the acquired businesses are in progress and the Group has not finalised the fair value assessments. The fair values of individual assets or liabilities stated below are based on the director's best estimation. Had the purchase price allocation been completed, the fair values of the assets or liabilities acquired and the amounts of goodwill to be recorded will be adjusted in the consolidated financial statements for the year ending 31 December 2014 upon the finalization of the purchase price allocation.

SPEEDCAST ACQUISITIONS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24 Business combinations (Continued)

24.1 Elektrikom

On 28 December 2012, the Group entered into a share purchase agreement with Elektrikom Holding BV, Irdetum Holding BV and Andre Eerland the shareholders of Satfa BV and Elektrikom to purchase 100% of the share capital of Elektrikom. Elektrikom is a maritime satellite communications service provider based in Schiedam, Netherlands. The acquisition was completed on 16 January 2013.

A goodwill of US\$1,036,019, intangible assets of US\$1,138,000, net tangible assets of US\$2,658,753 and deferred tax liabilities of US\$455,887 were recognised in relation to this acquisition. The goodwill arises from a number of factors. The most significant amongst these is the premium attributable to a pre-existing, well-positioned business that is in operation in a competitive market. Other significant factors include synergies through accessing a highly skilled workforce and obtaining economies of scale.

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

	US\$
Consideration:	
- Cash	4,832,772
Recognised amounts of identifiable assets acquired and liabilities assumed:	
Cash and cash equivalents	481,946
Inventory	505,713
Trade and other receivables	4,172,483
Property, plant and equipment (Note 13)	924,280
Accrual and other payables	(2,969,782)
Intangible assets (Note 14)	1,138,000
Deferred tax liabilities (Note 18)	(455,887)
Total identified net assets	3,796,753
Goodwill (Note 14)	1,036,019

For the acquired receivables, the fair value equals to US\$4,172,483 with gross contractual amount to be US\$4,554,297 and the best estimate at the acquisition date of the contractual cashflow not expected to be collected would amount to US\$374,163 (Note 16).

The fair value of the acquired identifiable intangible assets was determined using income based approach based on the valuations performed by Roma Appraisals Limited, an independent professional valuer.

SPEEDCAST ACQUISITIONS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24 Business combinations (Continued)

24.2 Pactel

On 29 March 2013, the Group entered into a share purchase agreement with INES Investments Pty Limited, IPDO Communications Pty. Ltd., Molloy Taylor Holdings Pty Limited, Andrew Scott Taylor and Steffen Tobias Holzt, the shareholders of Pactel to purchase 100% of the share capital of Pactel. Pactel is a satellite communications service provider based in Sydney Australia. The acquisition was completed on 31 May 2013.

The purchase price amounted to US\$27,500,000, of which US\$10,000,000 was contingent on certain future events, including the achievement of certain levels of profitability for the years ended 30 June 2013 and 31 May 2014. Of this amount, US\$5,000,000 was paid on 30 September 2013, and the remaining US\$5,000,000 is considered as a financial liability, as it is expected that it will be paid in full.

A goodwill of US\$13,938,732, intangible assets of US\$15,970,000, net tangible assets of US\$1,507,924 and deferred tax liabilities of US\$4,791,000 were recognised in relation to this acquisition. The goodwill arises from a number of factors. The most significant amongst these is the premium attributable to a pre-existing, well-positioned business that is in operation in a competitive market. Other significant factors include synergies through accessing a highly skilled workforce and obtaining economies of scale.

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

	US\$
Consideration:	
- Cash and contingent consideration paid	22,119,340
- Present value of estimated contingent consideration:	4,506,316
Total	26,625,656
Recognised amounts of identifiable assets acquired and liabilities assumed:	
Cash and cash equivalents	2,762,104
Inventory	299,486
Trade and other receivables	3,248,369
Property, plant and equipment (Note 13)	1,159,448
Accrual and other payables	(5,961,483)
Intangible assets (Note 14)	15,970,000
Deferred tax liabilities (Note 18)	(4,791,000)
Total identified net assets	12,686,924
Goodwill (Note 14)	13,938,732

The fair value of the acquired identifiable intangible assets was determined using income based approach based on the valuations performed by Roma Appraisals Limited, an independent professional valuer.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24 Business combinations (Continued)

24.3 Additional information

Acquisition-related costs of US\$2,559,522 (2012: US\$3,319,061) have been charged to administrative expenses in the consolidated statement of comprehensive income for the year ended 31 December 2013.

In the consolidated statement of cash flows, payment for acquisition of businesses comprises:

	Elektrikom US\$ (Note 24.1)	Pactel US\$ (Note 24.2)	Total US\$
Outflow of cash to acquire subsidiaries			
- Cash consideration paid	4,832,772	22,119,340	26,952,112
- Cash and cash equivalents of subsidiaries acquired	(481,946)	(2,762,104)	(3,244,050)
Cash outflow on acquisition of subsidiaries, net of cash acquired			<u>23,708,062</u>

The revenue included in the consolidated income statement since the dates of acquisitions contributed by Elektrikom and Pactel was US\$36,501,429. Elektrikom and Pactel also contributed profit of US\$5,050,523 for the year ended 31 December 2013. Due to financial, legal and operational reorganisations, it is impracticable to disclose either the profit or loss of the combined entities as though the acquisitions dates had been 1 January 2013, or the amount of the acquired entities' profit or loss since the acquisition included in the consolidated statement of comprehensive income for the year ended 31 December 2013.

25 Financial instruments by category

	2013 US\$	2012 US\$
Assets as per consolidated statement of financial position		
Loans and receivables:		
Trade and other receivables excluding prepayments	14,633,950	7,676,592
Cash and cash equivalents	12,250,213	3,069,762
Amount due from a shareholder	<u>481,271</u>	<u>-</u>
Liabilities as per consolidated statement of financial position		
Financial liabilities at amortised cost:		
Trade and other payables excluding deferred revenue and advance receipts	19,161,036	6,387,850
Amount due to ultimate holding company	-	358,913
Loan from ultimate holding company	-	19,000,000
Borrowings	47,902,081	-
Obligations under finance leases	<u>102,014</u>	<u>61,995</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 Commitments

(a) Capital commitments

Capital expenditure contracted for at the end of the reporting period but not yet incurred is as follows:

	2013 US\$	2012 US\$
Purchase of property, plant and equipment	<u>56,500</u>	<u>179,119</u>

(b) Operating lease commitments

The Group leases certain of its office premises under non-cancellable operating leases. Leases are negotiated for an average term of one to three years. The lease expenditure charged in the consolidated statement of comprehensive income during the period is disclosed in Note 7.

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

	2013 US\$	2012 US\$
No later than 1 year	1,249,845	957,215
Later than 1 year and no later than 5 years	<u>2,503,488</u>	<u>2,575,012</u>
	<u>3,753,333</u>	<u>3,532,227</u>

27 Related party transactions

The following transactions were carried out with related parties:

(a) Related party transactions

During the year ended 31 December 2013, the Group had paid interest expense of US\$1,143,753 (2012: US\$358,913) (Note 10) to its ultimate holding company for the loan due to its ultimate holding company which bears interest at 12% per annum and is repayable on 30 November 2018. The loan was repaid in full on 20 May 2013.

SPEEDCAST ACQUISITIONS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 Related party transactions (Continued)

(b) Key management compensation

Key management includes Chief Executive Officer, Chief Financial Officer and the Heads of Operations, Products, Sales and Finance. The compensation paid or payable to key management for employee services is shown below:

	Year ended 31 December 2013 US\$	Period from 10 August 2012(date of incorporation) to 31 December 2012 US\$
Salaries and allowances	1,987,849	372,557
Contributions to defined contribution plans	209,110	31,100
Bonus	171,086	123,849
Share-based payment expense	157,046	24,255
	<u>2,525,091</u>	<u>551,761</u>

(c) Year end balances arising from these transactions

	2013 US\$	2012 US\$
Loan from ultimate holding company (Note d)	-	19,000,000
Amount due to ultimate holding company	-	358,913
	<u>-</u>	<u>19,358,913</u>

(d) Loan from ultimate holding company

In November 2012, the Company agreed to a Senior Subordinated Note Purchase Agreement ("Note Purchase Agreement") under which two funds managed by TA Associates agreed to purchase senior subordinated notes ("Notes") from the Company for a total amount of up to US\$26,000,000.

On 30 November 2012, the Company issued Notes to the amount of US\$19,000,000, together with 827,530 preference shares, in order to finance the acquisition of the ASC business. On 12 January, 2013, the Company issued Notes to the amount of US\$5,000,000, together with 240,292 preference shares, in order to finance the acquisition of Elektrikom.

The Notes and a prepayment penalty of US\$1,371,589 were repaid in full on 20 May 2013.

As of 31 December 2012, the facilities were as follows:

<u>Name of fund</u>	<u>Committed debt</u>	<u>Drawn debt</u>
TA Subordinated Debt Fund III, L.P.	US\$25,529,412	US\$18,627,451
TA Investors III, L.P.	US\$470,588	US\$372,549

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 Related party transactions (Continued)

(d) Loan from ultimate holding company (Continued)

The principal terms of the Notes were as follows:

1. Fixed interest rate of 12% per annum
2. Full repayment in a single sum on 30 November 2018
3. Early prepayment permitted, with the following penalty, expressed as a total of the amount prepaid:
 - a. Prepayment on or prior to 30 November 2013 at 6% per annum
 - b. Prepayment on or prior to 30 November 2014 at 4% per annum
 - c. Prepayment on or prior to 30 November 2015 at 2% per annum
 - d. Prepayment after 30 November 2015 at zero% per annum

The Notes were subject to the observance of certain affirmative and negative covenants, including the commitment not to exceed certain financial ratios each quarter. The covenants include certain financial ratios which are contractually defined in the Note Purchase Agreement.

Certain guarantees were also given by the Company and certain subsidiaries to the purchasers of the Notes.

In connection with the sale of the Notes, the Company issued preference shares for no consideration to the purchasers of the Notes as follows:

Purchase	Number of shares	Total Par Value 2013 US\$	Number of shares	Total Par Value 2012 US\$
TA Subordinated Debt Fund III, L.P.	1,046,884	104.69	811,304	81.13
TA Investors III, L.P.	20,938	2.09	16,226	1.62

The preference shares are valued at US\$3.1 per share, which the Company considers is fair value at the time of issuance and the Group recognised finance costs of US\$2,871,948 (2012: US\$438,300) in connection with the grant of these preference shares in the consolidated statement of comprehensive income (Note 10).

The effective interest rate is estimated at 30.51% per annum.

(e) Amount due from a shareholder

A loan has been granted to a shareholder as funding for the purchase of shares which amounted to US\$468,224 and carried at 2.85% per annum. As at 31 December 2013, the outstanding amount included US\$13,047 was the interest receivables from the loan.

SPEEDCAST ACQUISITIONS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 Borrowings

On 20 May 2013, the Group repaid the Notes due to ultimate holding company in full, together with accrued interest and a prepayment penalty of US\$1,371,589 (Note 10 and 27(d)). At 31 December 2013, no amounts were outstanding in respect of the Notes.

On 20 May 2013, the Group, through its subsidiaries SpeedCast Limited and ASC, obtained loans from ING Bank to finance the acquisition of Pactel. On 28 May 2013, additional loans were obtained from Partners Group and Siemens to refinance the loans from the immediate holding company.

These loans were granted under a Senior Term and Revolving Facilities Agreement and InterCreditor Agreement (referred to collectively as "FA" in this note).

The FA comprised a term loan of US\$50,000,000, and a revolving facility of US\$5,000,000. At 31 December 2013, the term loan was fully drawn; US\$300,000 had been drawn as bank guarantee with interest rate at 4% per annum under the revolving facility on 27 September 2013 and shall be released as at 31 March 2014.

The term loan has a maturity of 5 years, repayable in installments. The next principal repayment amount is US\$1,250,000 due on 30 May 2014, and the last principal repayment date is 31 May 2018. The initial margin is 4.75% over USD Libor.

In accordance with the FA, principal repayments are scheduled to occur in 2014 on the term loan on 30 May 2014, 29 August 2014, and 28 November 2014, for amounts of US\$1,250,000 each. At 31 December 2013, this portion of the debt is classified as current borrowings.

The costs of setting up the initial financing amounts to US\$2,612,500 and has been set off with the loan amortised over the maturity of the term loan.

At inception, the effective interest rate of the term loan is 6.4641%, based on a Libor assumption of 0.2756%.

Several securities have been issued to guarantee the term loan and revolving facility. Most of the shares in the Group's subsidiaries have been pledged, in addition to certain inter-company loans and the majority of the bank accounts.

The credit lines are subject to the completion of affirmative and negative covenants, including the commitment not to exceed certain financial ratios at each quarter. As of 31 December 2013 the Group has met all its financial covenants. The covenants include the following ratios, which are contractually defined in the FA: cashflow cover (cash flow/debt service), leverage (net debt/EBITDA) and capital expenditure. These ratios are defined in the FA based on the Group's consolidated financial statements.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 Borrowings (Continued)

At 31 December 2013, interest-bearing bank loans and overdrafts were due for payment as follows:

	2013 US\$	2012 US\$
Portion of bank loans due for repayment within one year	3,314,583	-
After 1 year but within 2 years	4,524,999	-
After 2 years but within 5 years	40,062,499	-
	<u>47,902,081</u>	<u>-</u>
	2013 US\$	2012 US\$
Wholly repayable within 5 years	<u>47,902,081</u>	<u>-</u>

Included in the initial measurement of the borrowings of US\$50,000,000, it is net off by direct transaction costs of US\$2,612,500 related to obtaining borrowings. The borrowings are subsequently amortised to the consolidated income statement using the effective interest rate method.

29 Derivative financial instruments

	2013 US\$	2012 US\$
Carried at fair value		
- Interest rate swap contracts (Note (a))	153,047	-
- Interest rate cap/floor/collar contracts (Note (b))	58,376	-
	<u>211,423</u>	<u>-</u>

During the year ended 31 December 2013, the Group obtained US dollar-dominated borrowings from ING Bank (Note 28). Certain derivative contracts were entered into with ING Bank to partially hedge the cash flow interest rate risk. The balances shown above represented the fair values of these derivative contracts as at 31 December 2013. The Group recognised a net fair value loss of US\$211,423 in relation to these financial instruments in the "other (loss)/gain" in the consolidated statement of comprehensive income for the year ended 31 December 2013 (2012: Nil).

Note:

- (a) The total notional principal amount of the outstanding interest rate swap contracts as at 31 December 2013 was US\$15,500,000 (2012: Nil).
- (b) The total notional principal amount of the outstanding interest rate cap/floor/collar contracts as at 31 December 2013 was US\$10,000,000 (2012: Nil).

SPEEDCAST ACQUISITIONS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 Investments in subsidiaries

The following is the list of the principal subsidiaries at 31 December 2013:

<u>Name</u>	<u>Place of incorporation and kind of legal entity</u>	<u>Principal activities and place of Operation</u>	<u>Particulars of issued share capital and debt securities</u>	<u>Interest held</u>
Directly held:				
SpeedCast Holdings Limited	Cayman Islands, limited liability company	Investment holding company	25,524,026 ordinary share of US\$0.0001 each (2012: 25,524,026 ordinary share of US\$0.0001 each)	100% ¹
Indirectly held:				
SpeedCast Singapore Pte. Ltd	Singapore, limited liability company	Provision of maritime and offshore satellite communication services in Singapore	1 ordinary share of SG\$1 each (2012: 1 ordinary share of SG\$1)	100%
SpeedCast (Beijing) Communication Technology Company Limited	The People's Republic of China (the "PRC"), limited liability company	Provision of satellite communication network solutions and technical consultancy services in the PRC	Registered capital of US\$340,000 (2012: US\$340,000)	100%
SpeedCast Limited	Hong Kong, limited liability company	Provision of satellite communication service and network solution in Asia-Pacific.	10,000,000 ordinary share of HK\$0.01 each (2012: \$100,000)	100%
Broadband Satellite Solutions Sdn. Bhd.	Malaysia, limited liability company	Provision of satellite communication service in Malaysia.	500,000 ordinary share of MYR 1.00 each (2012: MYR 500,000)	100%
Australian Satellite Communications Pty. Ltd. ("ASC")	Australia, limited liability company	Provision of satellite communication network solutions and technical consultancy services in Asia Pacific	1 ordinary share of AUD1 each (2012: AUD1)	100%
Pactel International Pty Limited	Australia, limited liability company	Provision of satellite communications service in Asia Pacific	1,600 ordinary share of AUD0.625 each (2012: 1,600 ordinary share of AUD 0.625 each)	100% ²

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 Investments in subsidiaries (Continued)

The following is the list of the principal subsidiaries at 31 December 2013: (Continued)

<u>Name</u>	<u>Place of incorporation and kind of legal entity</u>	<u>Principal activities and place of Operation</u>	<u>Particulars of issued share capital and debt securities</u>	<u>Interest held</u>
Indirectly held: (Continued)				
Pactel PNG Limited	Papua New Guinea, limited liability company	Provision of satellite communications service provider in Papua New Guinea	100 ordinary share of PNG Kina \$1 each (2012: 100 ordinary share of PNG Kina \$1 each)	100% ³
Elektrikom BV	Netherlands, limited liability company	Provision for maritime and offshore satellite communication services	400 ordinary share of EUR 45.38 each (2012: 400 ordinary share of EUR 45.38 each)	100% ⁴
Satfa BV	Netherlands, limited liability company	Provision of maritime and offshore satellite communication services	180 ordinary share of EUR 100 each (2012: 180 ordinary share of EUR 100 each)	100% ⁵
Sat2Voice BV	Netherlands, limited liability company	Provision of telephone and voice services	18,000 ordinary share of EUR 1 each (2012: 18,000 ordinary share of EUR 1 each)	100% ⁶
SpeedCast Netherlands BV	Netherlands, limited liability company	Investment holding company	1 ordinary share of EUR 1 each (2012: 1 ordinary share of EUR 1 each)	100% ⁷

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 Investments in subsidiaries (Continued)

The following is the list of the principal subsidiaries at 31 December 2013: (Continued)

- ¹ Shares held directly by the Company.
- ² Pactel International Pty Limited was first incorporated on 25 July 2003 as and became a wholly owned subsidiary of ASC on 31 May 2013.
- ³ Pactel PNG Limited was first incorporated on 18 October 2010 as a wholly owned subsidiary of Pactel International Pty Limited on 31 May 2013.
- ⁴ ElektriKom BV was first incorporated on 10 March 1997 as and became a wholly owned subsidiary of SpeedCast Netherlands BV on 16 January 2013.
- ⁵ SatfaBV was first incorporated on 6 November 2001 and became a wholly owned subsidiary of SpeedCast Netherlands BV on 16 January 2013.
- ⁶ Sat2Voice BV was first incorporated on 18 September 2003 as and became a wholly owned subsidiary of SpeedCast Netherlands BV on 16 January 2013.
- ⁷ SpeedCast Netherlands BV was first incorporated on 10 January 2013 as a wholly owned subsidiary of SpeedCast Limited.

31 Events after the balance sheet date

On 27 March 2014, the Group obtained additional loans from ING, Partners and Siemens, including a US\$30,000,000 term loan facility and US\$5,000,000 capital expenditure facility. The term loan facility has been fully drawn.

On 25 March 2014, the Board of directors approved the payment of a dividend to holders of preference shares for an amount of US\$2.593 per share. The dividend was paid in March and April 2014.