

SpeedCast International Limited

ACN 600 699 241

Preliminary Financial Report and Appendix 4E for the
Year Ended 31 December 2015

SpeedCast International Limited

Preliminary Financial Report and Appendix 4E for the Year Ended 31 December 2015

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Results for Announcement to the Market

Current Reporting Period: Year ended 31 December 2015

Previous Reporting Period: Year ended 31 December 2014

The following information is given to the ASX under listing rule 4.3A.
 All amounts are in USD million unless otherwise specified.

Financial Performance	2015 \$m	2014 \$m	Movement %
Revenue from ordinary activities	167.6	117.7	+42%
Profit/(loss) for the year before tax	6.6	(6.8)	+197%
Profit/(loss) for the year after tax attributable to the owners of the Company	4.3	(6.9)	+162%
Other Financial Metrics	Underlying 2015 \$m	Pro forma 2014 \$m	Movement %
Underlying/pro forma revenue	167.6	121.5	+38%
Underlying /pro forma earnings before interest, tax, depreciation and amortisation ("EBITDA")	29.3	20.7	+42%
Underlying/pro forma net profit after tax	8.7	6.5	+34%
Underlying / pro forma net profit after tax but prior to the amortisation of acquisition related intangibles (net of tax effect) ("NPATA")	14.8	11.1	+33%

Please see page 4 for the reconciliation of statutory to underlying / pro forma financial performance.

Overview of Financial Performance

Statutory revenue increased by 42.4% to \$167.6 million (2014: \$117.7 million). The revenue in 2015 includes the contributions from 4 strategic acquisitions completed in 2015 as well as the full year impact of acquisitions completed in 2014. In addition to the acquisition related growth, the group also delivered organic growth in its key markets. The Maritime business unit delivered strong organic revenue growth, driven primarily by the increase in VSAT vessels from 689 at 31 December 2014 to 896 at 31 December 2015. Further organic growth was also achieved in the wholesale voice business underpinned by the Group's leadership position in the Pacific region.

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Results for Announcement to the Market (continued)

Statutory profit after tax for the year increased by 162% to \$4.3 million (2014: \$6.9 million loss). The 2014 statutory results included one-off costs relating to the restructuring of the group and the Initial Public Offering completed in August 2014. The financial performance of the group excluding these non-recurring factors has been presented under the heading “Other Financial Metrics”.

Net cash flows from operating activities increased 28.8% to \$17.9 million (2014: \$13.9 million).

Other Financial Metrics

SpeedCast has presented the Underlying financial results for 2015 and Pro forma financial results for 2014 to aide comparability from period to period and provide a better understanding of the SpeedCast financial performance.

The pro forma basis reflects a consolidation of the SpeedCast group and the subsidiaries it controlled at 31 December 2014 as if they had been controlled from 1 January 2014, and adjusted for certain other non-recurring items. Full explanations of the reconciling items were included in the ASX announcement on 18 August 2014.

Underlying financial results are intended to exclude items which are non-recurring in nature, such as acquisition-related transaction costs, integration costs and restructuring costs.

Statutory revenue to underlying / pro forma revenue reconciliation	Underlying 2015 \$m	Pro forma 2014 \$m
Statutory revenue	167.6	117.7
Pro forma impact of 2014 acquisitions	-	3.8
Underlying/Pro forma revenue	167.6	121.5
 Statutory net profit/(loss) after tax	 4.3	 (6.9)
IPO and acquisition related costs	3.8	8.0
Integration costs	0.3	-
Increase in fair value of contingent consideration	0.4	-
Pro forma share of profit of joint ventures	-	0.1
Non-recurring foreign exchange gain	-	(1.6)
Amortisation	-	2.0
Share based payments	-	1.2
Net finance cost adjustment	-	5.9
Public company costs	-	(0.2)
Tax effect of underlying/pro forma adjustments	(0.1)	(2.0)
 Underlying / Pro forma NPAT	 8.7	 6.5
Add back: Amortisation (net of tax)	6.0	4.6
Underlying / Pro forma NPATA	14.8	11.1

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Results for Announcement to the Market (continued)

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

- EBITDA is defined as earnings before interest, tax, depreciation and amortisation and is used to measure the underlying performance of the group, excluding non-cash items such as depreciation and amortisation;
- NPATA is defined as net profit after tax but prior to the amortisation of acquisition related intangibles, net of tax effect.

Underlying EBITDA of \$29.3 million was up 42% on prior year (Pro forma: \$20.7 million). EBITDA margins continue to improve from 17.0% to 17.5% as integration synergies were realised.

Underlying NPATA increased significantly to \$14.8 million compared to pro forma NPATA of \$11.1 million at 31 December 2014, an increase of 33% year on year.

Dividends	Amount per share Cents (AUD)	Franked amount per share %
Interim dividend	3.00	100
Proposed final dividend for 2015	3.65	100

An interim dividend of AUD\$3,622,475 was paid on 6 October 2015 by SpeedCast International Limited for the six months ended 30 June 2015.

On 24 February 2016, the Board approved a final dividend of AUD3.65 cents per share for the six months ended 31 December 2015. The dividend will be paid on 4 April 2016 to all shareholders registered on the record date of 7 March 2016. The ex-dividend date for dividend entitlement will be 4 March 2016. The dividend will be fully franked for Australian taxation purposes.

No dividend reinvestment plan was in operation during the year ended 31 December 2015.

Net Tangible Asset Backing	31 December 2015 (US cents)	31 December 2014 (US cents)
Net tangible asset backing per security	(58)	(20)

Net tangible assets are defined as the net assets of the SpeedCast group excluding goodwill and intangibles. The number of shares on issue at 31 December 2015 was 120,819,213 (2014: 120,168,355).

A net tangible liability position exists as the SpeedCast group has significant acquired goodwill and intangibles assets through acquisitions. These acquisitions have been partially funded through external bank debt.

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Results for Announcement to the Market (continued)

Details of entities where control has been gained or lost during the year

On 13 March 2015, the Group entered into a definitive agreement to acquire 100% shares of Hermes Datacommunications International Limited, a leading global provider of managed network services for the upstream oil and gas industry, for a consideration of USD25.5 million on a debt free, cash free basis. The Group gained control with effect from 13 March 2015.

On 1 May 2015, the Group completed 100% acquisition of the shares of Geolink Satellite Services SAS, a leading provider of satellite communications solutions in the African region, for EUR7.4 million. The Group gained control on the same date.

On 10 July 2015, the Group entered into a definitive agreement to acquire assets of NewSat Limited, the largest satellite communications company in Australia, for AUD12 million. The acquisition was completed on the same day.

On 28 July 2015, the Group entered into a share purchase agreement to purchase 100% of the share capital of SAIT Communications Limited, a leading supplier of L-band satellite services in the southern European maritime market, for an initial consideration of USD14.2 million. Further consideration of up to USD7.5 million is potentially payable on the achievement of certain revenue targets in 2016. The acquisition was completed on 3 August 2015.

As at 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.

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

Audit Report

This preliminary financial report is based on the financial statements which are in the process of being audited.

SpeedCast International Limited
Preliminary Financial Report and Appendix for the Year Ended 31 December 2015

Consolidated Statement of Profit and Loss and Other Comprehensive Income
for the year ended 31 December 2015

	Note	2015 US\$'000	2014 US\$'000
Revenue from continuing operations		167,591	117,679
Cost of equipment and bandwidth services		(103,754)	(72,162)
Other gain		4	201
Staff costs	3	(23,524)	(17,406)
Depreciation of property, plant and equipment		(7,417)	(4,256)
Amortisation of intangible assets		(7,694)	(7,872)
IPO and transaction related costs		(3,844)	(7,662)
Integration costs		(296)	-
Other expenses		(11,050)	(9,115)
Finance costs, net	5	(3,563)	(6,287)
Share of profit from interest in joint venture		145	45
Profit/(Loss) before tax		6,598	(6,835)
Income tax expense	6	(2,279)	(109)
Profit/(Loss) for the year attributable to owners of the Company		4,319	(6,944)
Other comprehensive income			
Item that may be reclassified to profit and loss			
- Currency translation difference		(743)	(5,246)
Total comprehensive profit/(loss) for the year attributable to members of the entity		3,576	(12,190)
Earnings per share		Cents	Cents
- Basic profit/(loss) per share		3.59	(7.28)
- Diluted profit/(loss) per share		3.54	(7.28)

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

SpeedCast International Limited
Preliminary Financial Report and Appendix for the Year Ended 31 December 2015

Consolidated Statement of Financial Position
as at 31 December 2015

	Note	2015 US\$'000	2014 US\$'000
ASSETS			
Current assets			
Cash and cash equivalents	8	15,114	10,079
Trade and other receivables		43,288	23,695
Inventories		5,171	3,238
Total current assets		63,573	37,012
Non-current assets			
Interests in joint ventures		190	45
Property, plant and equipment		26,238	14,527
Goodwill and intangible assets		96,723	52,743
Deferred tax assets		3,088	1,504
Total non-current assets		126,239	68,819
Total assets		189,812	105,831
LIABILITIES			
Current liabilities			
Trade and other payables		50,692	31,874
Obligations under finance leases		46	67
Derivative financial instruments		6	10
Income tax payable		2,691	94
Total current liabilities		53,435	32,045
Non-current liabilities			
Borrowings		99,354	41,278
Deferred tax liabilities		6,164	3,793
Obligations under finance leases		21	50
Other payables		3,595	66
Total non-current liabilities		109,134	45,187
Total liabilities		162,569	77,232
Net assets		27,243	28,599
EQUITY			
Equity attributable to owners of the Company			
Contributed equity	9	84,892	84,126
Other reserves		(1,171)	(487)
Accumulated losses		(56,478)	(55,040)
Total equity		27,243	28,599

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

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Consolidated Statement of Changes in Equity
for the year ended 31 December 2015

	Attributable to owners of SpeedCast International Limited			Total US\$'000
	Contributed equity US\$'000	Accumulated losses US\$'000	Other reserves US\$'000	
Balance at 1 January 2014	35,864	(18,096)	4,708	22,476
Loss for the year	-	(6,944)	-	(6,944)
Other comprehensive income	-	-	(5,246)	(5,246)
Total comprehensive income/(loss) for the year	35,864	(25,040)	(538)	10,286
Dividends	-	(30,000)	-	(30,000)
Issue of preference shares	991	-	-	991
Transfer from share based payment reserve for vested performance shares	1,391	-	(1,391)	-
Issue of ordinary shares	48,327	-	-	48,327
Capital raising costs, net of tax	(2,447)	-	-	(2,447)
Employee share scheme – value of employee services	-	-	1,442	1,442
	48,262	(30,000)	51	18,313
Balance at 31 December 2014	84,126	(55,040)	(487)	28,599
Profit for the year	-	4,319	-	4,319
Other comprehensive income	-	-	(743)	(743)
Total comprehensive income/(loss) for the year	-	4,319	(743)	3,576
Dividends	-	(5,757)	-	(5,757)
Issue of ordinary shares	602	-	-	602
Capital raising costs, net of tax	(43)	-	-	(43)
Transfer from share based payment reserve for vested performance shares	207	-	(207)	-
Employee share scheme – value of employee services	-	-	266	266
	766	(5,757)	59	(4,932)
Balance at 31 December 2015	84,892	(56,478)	(1,171)	27,243

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

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Consolidated Statement of Cash Flows
for the year ended 31 December 2015

	Note	2015 US\$'000	2014 US\$'000
Cash flows from operating activities			
Cash generated from operations		23,577	20,727
Interest paid		(3,193)	(3,621)
Taxes paid		(2,461)	(3,229)
Net cash inflow from operating activities		<u>17,923</u>	<u>13,877</u>
Cash flows from investing activities			
Payments for acquisition of subsidiaries, net of cash acquired	13(g)	(57,510)	(9,296)
Business acquisitions and transaction cost		(4,178)	(543)
Payments for property, plant and equipment		(7,318)	(6,555)
Payments for intangible assets		(629)	-
Proceeds from disposal of property, plant and equipment		426	104
Interest received		32	44
Net cash (outflow) from investing activities		<u>(69,177)</u>	<u>(16,246)</u>
Cash flows from financing activities			
Proceeds from initial public offering		-	48,326
Transaction costs of initial public offering		-	(8,703)
Proceeds from issuance of preference shares		-	991
Proceeds from borrowings		61,611	73,352
Repayment of borrowings		-	(83,064)
Dividends	10	(5,757)	(30,000)
Repayments of obligations under finance leases		(42)	34
Net cash inflow from financing activities		<u>55,812</u>	<u>936</u>
Net increase/(decrease) change in cash and cash equivalents		4,558	(1,433)
Cash and cash equivalents at beginning of the year		10,079	12,250
Effects of exchange rate changes on cash and cash equivalents		477	(738)
Cash and cash equivalents at the end of the year	8	<u><u>15,114</u></u>	<u><u>10,079</u></u>

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

SpeedCast International Limited

Preliminary Financial Report and Appendix for the Year Ended 31 December 2015

Notes to the Preliminary Financial Report

1 Background and summary of significant changes in the current reporting period

These preliminary consolidated financial statements relate to SpeedCast International Limited and the entities it controlled at the end of, or during the year ended 31 December 2015 and has been prepared in accordance with rule 4.3A of the ASX listing rules (Appendix 4E).

This preliminary financial report covers the consolidated financial statements and selected notes of SpeedCast International Limited (henceforth “SIL”, “SpeedCast” or “the Company”), its controlled entities and jointly controlled entities (the “Group”).

During the year the financial position and performance of the group was particularly affected by the following events and transactions during the reporting period:

The Company completed 4 strategic acquisitions in 2015, all funded by debt and accretive immediately. The Company acquired 100% of the issued share capital of Hermes Datacommunications International Limited, Geolink Satellite Services SAS and SAIT Communications Limited as well as acquired the assets of NewSat Limited, all of which have been accounted for under AASB 3 *Business Combinations*.

In the prior year, the Company was incorporated as an Australian public company on 14 July 2014 and undertook an initial public offering (“IPO”) on 12 August 2014.

2 Summary of significant accounting policies

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

The principal accounting policies adopted in the preparation of the consolidated financial statements included in this preliminary financial report are set out below. The financial statements are for the consolidated entity consisting of SpeedCast and its subsidiaries.

(a) Basis of preparation

The preliminary financial report has been prepared in accordance with the recognition and measurement requirements of Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001. The Company is a for-profit entity for the purpose of preparing the financial statements.

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

Compliance with IFRS

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

Historical cost convention

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

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Preliminary Financial Report and Appendix for the Year Ended 31 December 2015

Notes to the Preliminary Financial Report (continued)

(a) Basis of preparation (continued)

New and amended standards adopted by the Group

The consolidated entity has applied the following standards for the first time in the financial year commencing 1 January 2015:

- AASB 2 (2014-1 amendment) Share-based payment
- AASB 3 (2014-1 amendment) Business combinations
- AASB 8 (2014-1 amendment) Operating segments
- AASB 13 (2014-1 amendment) Fair value measurement
- AASB 116 (2014-1 amendment) Property, plant and equipment
- AASB 124 (2014-1 amendment) Related party disclosures
- AASB 138 (2014-1 amendment) Intangible assets

Adoption of the above standards has not resulted in any significant impact on the results or financial position of the Group.

New standards and interpretations not yet adopted

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 2015:

- AASB 9 - Financial Instruments applicable 1 January 2018
- AASB 2014-3 - Accounting for acquisitions of interests in joint operations applicable 1 January 2016
- AASB 2014-4 - Clarification of acceptable methods of depreciation and amortisation applicable 1 January 2016
- AASB 2014-9 - Equity method in separate financial statements applicable 1 January 2016
- AASB 2014-10 - Sale or contribution of assets between an investor and its associate or joint venture applicable 1 January 2016
- AASB 2015-1 - Annual Improvements 2012-2014 applicable 1 January 2016
- AASB 2015-2 - Disclosure Initiative: Amendments to AASB 101 applicable 1 January 2016

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.

AASB 15 – Revenue from contracts with customers applicable 1 January 2018

The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118, which covers contracts for goods and services, and AASB 111, which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. The Company has not assessed the impact at this time.

IFRS 16 Leases

In January 2016 the IASB has issued a new standard for lease accounting, which will replace IAS 17. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, ie the customer ('lessee') and the supplier ('lessor'). It is expected that the AASB will endorse the standard to replace AASB 117 Leases. It is expected that the standard will be effective for the 31 December 2019 financial year. The Company has not assessed the impact at this time.

Critical accounting estimates and judgments

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

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Notes to the Preliminary Financial Report (continued)

(a) Basis of preparation (continued)

Rounding of amounts

The company is of a kind referred to in Class Order 98/100 issues by the Australian Securities and Investments Commission, relating to the “rounding off” of amounts in the Directors’ Report and financial statements. Amounts in the Directors’ Report and financial statements have been rounded off in accordance with that class order to the nearest thousand dollars.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity will be disclosed in the Annual Report.

(b) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Group as at 31 December 2015 and the results of all subsidiaries for the year then ended. The Company and its subsidiaries together are referred to in these financial statements as the ‘consolidated entity’.

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

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

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

(c) Foreign currency translation

(i) Functional currency

The functional currency for each entity in the Group, and for joint arrangements and associates, is the currency of the primary economic environment in which that entity operates. For many entities, this is the currency of the country in which they are located.

(ii) Transactions and balances

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

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statement of profit or loss and other comprehensive income within “finance costs, 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 profit or loss and other comprehensive income within “Other expenses”.

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Notes to the Preliminary Financial Report (continued)

(iii) Presentation currency

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

Exchange differences arising from the translation of the net assets of entities with functional currencies other than US dollars are recognised directly in the foreign currency translation reserve. These translation differences are shown as other comprehensive income in the consolidated statement of profit or loss and other comprehensive income.

(d) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair 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 a financial asset or liability is recognised in accordance with AASB 139 'Financial Instruments – Recognition and Measurement' 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.

(e) Joint ventures

Joint ventures are those joint arrangements which provide the venture with the right to the net assets of the arrangements. Interest in joint ventures are accounted for using the equity method in accordance with AASB 128 'Investments in Associates and Joint Ventures'.

Under this method, the investment is initially recognised at cost and the carrying amount is increased or decreased to recognise the investor's share of profit or loss and other comprehensive income of the investee after the date of acquisition.

If the ventures share of losses of a joint venture equals or exceeds its interest in the joint venture, the venture discontinues recognising its share of further losses.

Adjustments are made to the joint venturers accounting policies where they are different from those of venturer for the purpose of the consolidated financial statements.

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Notes to the Preliminary Financial Report (continued)

(f) Revenue recognition

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

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

(i) Broadband access revenue

Broadband access revenue is recognised when the broadband access services are rendered.

(ii) Sale of broadband services equipment

Sale of broadband services equipment is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when goods are delivered to customers and title is passed.

(iii) Interest income

Interest income is recognised using the effective interest method.

(g) Goodwill

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

For the purpose of impairment testing, goodwill 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. Within the group 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.

(h) Intangible assets

Intangibles have been identified by the group in the form of customer relationships, supplier contracts, trademarks and brand names.

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	7 to 12 years
Supplier contracts	5 years
Trademark	5 to 20 years
Brand name	5 years

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Preliminary Financial Report and Appendix for the Year Ended 31 December 2015

Notes to the Preliminary Financial Report (continued)

(i) Impairment of 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 – "CGU"). Non-financial assets other than goodwill that have suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(j) Cash and cash equivalents

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

(k) 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.

(l) Financial assets

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

(ii) Impairment of financial assets carried at amortised cost

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

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

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

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

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Preliminary Financial Report and Appendix for the Year Ended 31 December 2015

Notes to the Preliminary Financial Report (continued)

(l) Financial assets (continued)

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 profit or loss and other comprehensive income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

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

(m) 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 location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

(n) Property, plant and equipment

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

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

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

Office equipment	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 lease are depreciated over the shorter of their expected useful lives or the term of the lease.

SpeedCast International Limited
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Notes to the Preliminary Financial Report (continued)

(n) Property, plant and equipment (continued)

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

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

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

(o) Current and deferred income tax

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

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

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

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

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except for deferred income tax liability where the timing of reversal of the temporary 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.

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Notes to the Preliminary Financial Report (continued)

(p) 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.

(q) 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.

(r) Employee benefits

(i) Pension obligations

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

(ii) Performance-based bonus

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

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

SpeedCast International Limited
Preliminary Financial Report and Appendix for the Year Ended 31 December 2015

Notes to the Preliminary Financial Report (continued)

(r) Employee benefits (continued)

(iii) Share-based compensation

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

(s) Leases

(i) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are expensed in the consolidated statement of profit or loss and other comprehensive income on a straight-line basis over the period of the lease.

(ii) Finance leases

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

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in liabilities. The interest element of the finance cost is charged to the consolidated statement of profit or loss and other comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

(t) 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 profit or loss and other comprehensive income over the period of the borrowings using the effective interest method.

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

Borrowing costs are recognised in the consolidated statement of profit or loss and other comprehensive income in the period in which they are incurred.

SpeedCast International Limited
Preliminary Financial Report and Appendix for the Year Ended 31 December 2015

Notes to the Preliminary Financial Report (continued)

(u) 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 profit or loss and other comprehensive income.

(v) Contributed equity

Ordinary shares are classified as equity.

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

(w) Dividends

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

(x) Earnings per share

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

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

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

(y) Operating segments

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

(z) Goods and Services Tax (GST)

Revenue, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the consolidated balance sheet.

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

SpeedCast International Limited
Preliminary Financial Report and Appendix for the Year Ended 31 December 2015

Notes to the Preliminary Financial Report (continued)

(aa) Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification. An asset is current when: it is expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is current when: it is expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current. Deferred tax assets and liabilities are always classified as non-current.

(ab) Fair value measurement

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

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed each reporting date and transfers between levels are determined based on a reassessment of the lowest level input that is significant to the fair value measurement. For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

SpeedCast International Limited
Preliminary Financial Report and Appendix for the Year Ended 31 December 2015

Notes to the Preliminary Financial Report (continued)

3. Staff costs

	2015 US\$'000	2014 US\$'000
Salaries and allowances	22,893	15,489
Contributions to defined contribution plans	365	475
Share-based payment expense	266	1,442
	<u>23,524</u>	<u>17,406</u>

4. Other expenses

	2015 US\$'000	2014 US\$'000
Operating lease payments in respect of office premises, property and equipment	1,959	1,034
Provision for impairment of trade receivables	674	253
Foreign exchange (gains)/losses	(204)	622
	<u></u>	<u></u>

5. Finance costs, net

	2015 US\$'000	2014 US\$'000
Finance income:		
Interest income from bank deposits	32	31
Interest income from amount due from shareholder	-	13
Foreign exchange gain on borrowings	-	1,631
	<u>32</u>	<u>1,675</u>
Finance charges on:		
Obligations under finance leases	(3)	(4)
Accelerated amortization of loan establishment costs	-	(3,298)
Interest on deferred consideration	-	(445)
Fair value loss on other payables	(409)	-
Interest expenses on:		
Borrowings	(2,543)	(3,474)
Fees on undrawn facility	(133)	(125)
Other bank charges	(507)	(616)
	<u>(3,595)</u>	<u>(7,962)</u>
Finance costs	<u>(3,595)</u>	<u>(7,962)</u>
Finance costs, net	<u>(3,563)</u>	<u>(6,287)</u>

SpeedCast International Limited**Preliminary Financial Report and Appendix for the Year Ended 31 December 2015****Notes to the Preliminary Financial Report (continued)****6. Income tax expense**

	2015 US\$'000	2014 US\$'000
Current tax	6,518	2,128
Under/(over) provision in prior years	(124)	237
Deferred income tax	(4,115)	(2,256)
	<hr/>	<hr/>
Total income tax expense	<u>2,279</u>	<u>109</u>

Reconciliation between profit/(loss) before tax and income tax expense

	2015 US\$'000	2014 US\$'000
Profit/(Loss) before tax	<u>6,598</u>	<u>(6,835)</u>
Tax calculated at domestic tax rates applicable to profits in the respective countries	1,155	(876)
Tax effects of:		
Expenses not deductible for tax purposes	1,504	1,234
Income not subject to tax	(6)	(588)
Utilisation of previously unrecognised tax losses	-	(8)
Tax losses for which no deferred income tax asset was recognised	-	110
Under/(over) provision for prior years	(124)	237
Recognition of previously unrecognised temporary differences	(250)	-
	<hr/>	<hr/>
Income tax expense	<u>2,279</u>	<u>109</u>

SpeedCast International Limited
Preliminary Financial Report and Appendix for the Year Ended 31 December 2015

Notes to the Preliminary Financial Report (continued)

7. Earnings per share

Earnings and weighted average number of ordinary shares used in calculating basic and diluted earnings per share are:

	2015 US\$'000
Profit for the year after tax attributable to the owners of the Company	4,319
Weighted average number of shares	Number
Weighted average number of ordinary shares for basic earnings per share	120,428,974
Add effect of dilution – share options	1,460,172
Weighted average number of ordinary shares for diluted earnings per share	<u>121,889,146</u>

8. Cash and cash equivalents

	2015 US\$'000	2014 US\$'000
Cash at bank and in hand	<u>15,114</u>	<u>10,079</u>

9. Contributed equity

Movement in contributed equity as follows:

	No. of Shares	US\$'000
As at 1 January 2015	120,168,355	84,126
Conversion of restricted management rights to ordinary shares	350,212	207
Issue of ordinary shares - Geolink	132,940	202
Issue of ordinary shares - SAIT	167,706	400
Capital raising and share issue costs	-	(43)
As at 31 December 2015	<u>120,819,213</u>	<u>84,892</u>

SpeedCast International Limited
Preliminary Financial Report and Appendix for the Year Ended 31 December 2015

Notes to the Preliminary Financial Report (continued)

10. Dividends

	2015 US\$'000	2014 US\$'000
Interim dividend paid for the year ended (2015: AUD3.00 cents, 2014: USD2.5932 cents per fully-paid preference share pre-IPO)	2,630	30,000
Final dividend for the year ended 31 December 2014 of AUD3.36 cents per fully-paid share post-IPO and paid in 2015	3,127	-
	<u> </u>	<u> </u>

On 24 February 2016, the Directors approved the payment of a final dividend of AUD3.65 cents per share for the six month period ended 31 December 2015 which will be fully franked.

11. Borrowings

	31 December 2015 US\$'000	31 December 2014 US\$'000
Portion of bank loans due for repayment within one year	-	-
After 1 year but within 2 years	33,450	-
After 2 years but within 5 years	65,904	41,278
	<u>99,354</u>	<u>41,278</u>

As at 1 January 2015, the Group had revolving facilities of USD60 million with Westpac Banking Corporation, HSBC and Siemens Financial Services Inc. On 23 March 2015, the multi-currency revolving facilities were increased to USD90 million with a further increase of USD12 million on the 30 July 2015, increasing the total facility to USD102 million as at 31 December 2015. Following the increases, the revolving facilities comprised USD35 million with a 3 year term, and USD67 million with a 5 year term. All other terms remain unchanged. A further USD2.0 million bank guarantee facility is available as at 31 December 2015 of which USD1.2 million has been issued at period end.

As at 31 December 2015, USD99.4 million was drawn of which USD47.4 million was drawn in AUD and USD52.0 million in USD. USD33.5 million of the drawn amount relates to the 3 year facility and USD65.9 million relates to the 5 year facility.

The credit lines are subject to the completion of affirmative and negative covenants, including the commitment not to exceed certain financial ratios semiannually. As of 31 December 2015 the Group has met all its financial covenants. The covenants include the following ratios, which are contractually defined in the agreement: Interest Cover Ratio (underlying EBITDA / underlying net interest expense) and Net Leverage Ratio (net debt/underlying EBITDA).

SpeedCast International Limited
Preliminary Financial Report and Appendix for the Year Ended 31 December 2015

Notes to the Preliminary Financial Report (continued)

12. Segment reporting

Identification of reportable segments

The Group has identified its operating segment based on the reports reviewed by the Chief Executive Officer (“CEO”) that are used to make strategic decisions. The group consists of one operating segment being the sale of satellite network services in various geographic markets.

(a) Segment Performance

	Satellite network services	
	2015	2014
	US\$'000	US'000
Revenue		
Revenue from external customers	167,591	117,679
Adjusted EBITDA	29,267	19,197
IPO and transaction related costs	(3,844)	(7,662)
Integration costs	(296)	-
Depreciation of property, plant and equipment	(7,417)	(4,256)
Amortisation of intangible assets	(7,694)	(7,872)
Finance costs, net	(3,563)	(6,287)
Share of profits from interests in joint venture	145	45
Income tax expense	(2,279)	(109)
Total net profit/(loss) after tax	4,319	(6,944)

(b) Segment assets and liabilities

	2015	2014
	US\$'000	US\$'000
Segment assets – total assets other than deferred tax assets	186,724	104,327
Segment liabilities – total liabilities other than derivative financial instruments and deferred tax liabilities	156,399	73,429

SpeedCast International Limited
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Notes to the Preliminary Financial Report (continued)

12. Segment reporting (continued)

(c) Geographical information

Under one operating segment, the table below presents geographical information of total revenue based on customers' geography.

Service revenue by customers' geography

	Maritime	Australia	Pacific Islands	EMEA and other (ex-Afghanistan)	Afghanistan	Broadband services equipment	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Year ended 31 December 2015	41,034	37,688	31,228	44,219	4,059	9,363	167,591
Year ended 31 December 2014	26,614	30,289	26,815	18,635	5,334	9,992	117,679

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

As at 31 December 2015	Maritime	Australia	Pacific Islands	EMEA and other (ex-Afghanistan)	Afghanistan	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Property, plant and equipment	901	8,935	2,303	14,099	-	26,238
Goodwill and intangible assets	20,648	18,707	11,367	46,001	-	96,723
Interests in joint ventures	-	-	-	190	-	190
	21,549	27,642	13,670	60,290	-	123,151
As at 31 December 2014	Maritime	Australia	Pacific Islands	EMEA and other (ex-Afghanistan)	Afghanistan	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Property, plant and equipment	1,047	2,941	1,025	9,514	-	14,527
Goodwill and intangible assets	2,422	12,720	22,080	15,521	-	52,743
Interests in joint ventures	-	-	-	45	-	45
	3,469	15,661	23,105	25,080	-	67,315

(d) Major Customers

There are no individual customer contributed more than 10% of the total revenue for both 2015 and 2014.

SpeedCast International Limited
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Notes to the Preliminary Financial Report (continued)

13. 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 value of individual assets or liabilities stated below are based on the Director's best estimation. 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 2016 upon the finalisation of the purchase price allocation.

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.

(a) Hermes

On 13 March 2015, the Group entered into a definitive agreement to acquire 100% shares of Hermes Datacommunications International Limited ("Hermes"), a leading global provider of managed network services for the upstream oil and gas industry. The acquisition was completed on 26 March 2015.

Goodwill of USD18.7 million arises mainly from the ability to strengthen the Group's ability to serve and support energy customers worldwide including areas such as Russia, the Middle East and North, West and East Asia.

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

	US\$'000
Consideration:	
- Cash	28,369
Recognised amounts of identifiable assets acquired and liabilities assumed:	
Cash and cash equivalents	1,919
Inventory	559
Trade and other receivables	4,841
Property, plant and equipment	6,049
Intangible assets	5,251
Trade and other payables	(7,849)
Deferred tax liabilities	(1,139)
	<hr/>
Total identified net assets	9,631
	<hr/>
Goodwill	18,738
	<hr/>

SpeedCast International Limited
Preliminary Financial Report and Appendix for the Year Ended 31 December 2015

Notes to the Preliminary Financial Report (continued)

13. Business combinations (continued)

(b) Geolink

On 1 May 2015, the Group completed 100% acquisition of the shares of Geolink Satellite Services SAS (“Geolink”), a leading provider of satellite communications solution in the African region. The acquisition was completed on 1 May 2015.

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

	US\$'000
Consideration:	
- Cash	8,964
- Ordinary Issued Shares	202
	<hr/>
Total Purchase Consideration	9,166
Recognised amounts of identifiable assets acquired and liabilities assumed:	
Cash and cash equivalents	457
Inventory	318
Trade and other receivables	3,085
Property, plant and equipment	395
Intangible assets	2,486
Trade and other payables	(2,855)
Deferred tax liabilities	(492)
	<hr/>
Total identified net assets	3,394
	<hr/>
Goodwill	5,772
	<hr/> <hr/>

(c) NewSat

On 10 July 2015, the Group entered into a definitive agreement to acquire assets of NewSat Limited, the largest satellite communications company in Australia, for AUD12 million. The acquisition was completed on the same day.

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

	US\$'000
Consideration:	
- Cash	8,754
Recognised amounts of identifiable assets acquired and liabilities assumed:	
Inventory	372
Property, plant and equipment	7,189
Intangible assets	394
Trade and other payables	(1,456)
Deferred tax liabilities	(5)
	<hr/>
Total identified net assets	6,494
	<hr/>
Goodwill	2,260
	<hr/> <hr/>

SpeedCast International Limited
Preliminary Financial Report and Appendix for the Year Ended 31 December 2015

Notes to the Preliminary Financial Report (continued)

13. Business combinations (continued)

(d) SAIT

On 28 July 2015, the Group entered into a share purchase agreement to purchase 100% of the share capital of SAIT Communications Limited, a leading supplier of L-band satellite services in the southern European maritime market, for an initial consideration of USD14.2 million. Further consideration of up to USD7.5 million is potentially payable on the achievement of certain revenue targets in 2016. The acquisition was completed on 3 August 2015.

Goodwill of USD12.4 million arises mainly from the ability for the group to increase its market share in the maritime market, enhance its services portfolio with additional offerings and significantly expand into important shipping sectors.

	US\$'000
Consideration:	
- Cash	13,800
- Ordinary Issued Shares	400
- Contingent Consideration	3,115
	<hr/>
Total Purchase Consideration	17,315
 Recognised amounts of identifiable assets acquired and liabilities assumed:	
Cash and cash equivalents	1
Property, plant and equipment	24
Intangible assets	6,674
Deferred tax liabilities	(1,741)
	<hr/>
Total identified net assets	4,958
	<hr style="border-top: 1px dashed;"/>
Goodwill	12,357
	<hr style="border-top: 3px double;"/>

(e) ST Teleport

On 13 November 2015, the Group entered into a definitive agreement to acquire the shares of ST Teleport, a leading satellite communications services provider based in Singapore with a key focus on global maritime and oil and gas customers. The acquisition is expected to complete in early 2016.

(f) NewCom

On 29 December 2015, the Group entered into a definitive agreement to acquire the shares of NewCom International, a leading satellite communications services provider specialising in the South and Central American regions and extending into the Caribbean, Mexico and Africa. The acquisition is expected to complete in early 2016.

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13. Business combinations (continued)

(g) Additional Information

Acquisition-related costs of USD3,844,000 (2014: USD543,000) have been charged to transactions related costs in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2015.

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

	Hermes US\$'000 (Note 13(a))	Geolink US\$'000 (Note 13(b))	NewSat US\$'000 (Note 13(c))	SAIT US\$'000 (Note 13(d))	Total US\$'000
Outflow of cash to acquire subsidiaries					
- Cash consideration paid	28,369	8,964	8,754	13,800	59,887
- Cash and cash equivalents of subsidiaries acquired	(1,919)	(457)	-	(1)	(2,377)
Cash outflow on acquisition of subsidiaries, net of cash acquired					57,510

The total revenue included in the consolidated income statement since the dates of the above acquisitions contributed USD44,925,000 and a total profit of USD1,450,000 for the year ended 31 December 2015.

Due to financial, legal and operational integration activities completed since the acquisition date, it is impracticable to disclose either the profit or loss of the combined entities as though the acquisitions dates had been 1 January 2015, or the amount of the acquired entities' profit or loss since the acquisition included in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2015.

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Notes to the Preliminary Financial Report (continued)

14. Investments in Joint Arrangements

Name	Type of joint arrangement	Place of incorporation and kind of legal entity	Principal activities and place of Operation	Percentage owned (%) 2015	Percentage owned (%) 2014
Satcomms Limited	Joint Venture	British Virgin Islands	Provision of satellite communications service	50	50
Satellite Communications NZ Limited	Joint Venture	New Zealand	Provision of satellite communications service in New Zealand	50	50
Vcomms Limited	Joint Venture	Papua New Guinea	Dormant	50	50

15. Contingencies

Additional potential consideration comprising an earn-out of up to USD7.5 million is payable in relation to the acquisition of SAIT Communications Limited if certain revenue growth targets are reached in 2016, starting at USD1.5 million (split between cash of USD0.5 million and ordinary shares of USD1.0 million) for the achievement of USD23 million of revenue in 2016 and increasing progressively with revenue growth. The total amount potentially payable is capped at an amount of USD7.5 million for significant outperformance split into cash consideration of USD4.5 million and SpeedCast ordinary shares of USD3.0 million.

The group provided USD 3,115,000 of additional consideration for this acquisition, comprising USD 1.0 million in cash and USD 2.1 million in potentially issuable ordinary SpeedCast shares, re-measured to fair value at balance date. If the actual additional consideration varies from this amount the difference will be included in the income statement in accordance with Accounting Standards.

Other than as noted above the Group did not have any material contingent assets or liabilities as at 31 December 2015.

16. Post balance sheet events

On 15 January 2016, the Group entered into a definitive agreement to acquire assets of United Satellite Group, a satellite communications company operating in Australia and Oceanic, for AUD1.5 million. The acquisition was completed on the same day.

Other than the above, there have been no other material post balance sheet events since 31 December 2015.

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Corporate Information

Directors

Mr. John Angus Mackay (Chairman)
Mr. Pierre-Jean Joseph Andre Beylier
Mr. Michael Stuart Berk
Mr. Grant Scott Ferguson
Mr. Peter Edward Jackson
Mr. Michael Malone
Mr. Edward Francis Sippel

Company Secretary

Mr. Andrew Metcalfe

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SpeedCast International Limited shares are listed on the Australian Securities Exchange (ASX) under the ASX code SDA.