

**STANFIELD FUNDS MANAGEMENT LIMITED**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

		SFN	Swift	Wizzie	Pro forma	Pro forma
		Reviewed as at	Reviewed as at	Reviewed as at	adjustments	after Offer
	Notes	31-Dec-15	31-Dec-15	31-Dec-15		
		\$	\$	\$	\$	\$
<b>CURRENT ASSETS</b>						
Cash and cash equivalents	2	134,271	818,415	82,329	2,119,256	3,154,271
Trade and other receivables		109,454	1,288,982	110,070	-	1,508,506
Available for sale financial assets		83,350	-	-	-	83,350
Other current assets		-	308,047	-	-	308,047
Inventory		-	786,873	-	-	786,873
<b>TOTAL CURRENT ASSETS</b>		<b>327,075</b>	<b>3,202,317</b>	<b>192,399</b>	<b>2,119,256</b>	<b>5,841,047</b>
<b>NON CURRENT ASSETS</b>						
Plant and equipment		-	2,033,810	-	-	2,033,810
Intangible assets	3	-	1,700	409	1,932,414	1,934,523
Tax assets		-	56,920	-	-	56,920
<b>TOTAL NON CURRENT ASSETS</b>		<b>-</b>	<b>2,092,430</b>	<b>409</b>	<b>1,932,414</b>	<b>4,025,253</b>
<b>TOTAL ASSETS</b>		<b>327,075</b>	<b>5,294,747</b>	<b>192,808</b>	<b>4,051,670</b>	<b>9,866,300</b>
<b>CURRENT LIABILITIES</b>						
Trade and other payables		498,041	446,371	81,372	-	1,025,784
Provisions		-	193,836	-	-	193,836
Other current liabilities		-	149,759	-	-	149,759
Tax liabilities		-	68,163	-	-	68,163
<b>TOTAL CURRENT LIABILITIES</b>		<b>498,041</b>	<b>858,129</b>	<b>81,372</b>	<b>-</b>	<b>1,437,542</b>
<b>NON CURRENT LIABILITIES</b>						
Trade and other payables	4	-	576,827	2,612,076	(3,188,903)	-
Deferred tax liabilities	5	-	-	-	579,724	579,724
<b>TOTAL NON CURRENT LIABILITIES</b>		<b>-</b>	<b>576,827</b>	<b>2,612,076</b>	<b>(2,609,179)</b>	<b>579,724</b>
<b>TOTAL LIABILITIES</b>		<b>498,041</b>	<b>1,434,956</b>	<b>2,693,448</b>	<b>(2,609,179)</b>	<b>2,017,266</b>
<b>NET ASSETS/(NET LIABILITIES)</b>		<b>(170,966)</b>	<b>3,859,791</b>	<b>(2,500,640)</b>	<b>6,660,849</b>	<b>7,849,034</b>
<b>EQUITY</b>						
Issued capital	6	19,677,822	5,000,000	1	4,219,999	28,897,822
Reserve	7	109,852	-	-	540,800	650,652
Accumulated losses	8	(19,958,640)	(1,140,209)	(2,500,641)	1,900,050	(21,699,440)
<b>TOTAL EQUITY</b>		<b>(170,966)</b>	<b>3,859,791</b>	<b>(2,500,640)</b>	<b>6,660,849</b>	<b>7,849,034</b>

The pro forma consolidated statement of financial position after the Offer is as per the statement of financial position before the Offer adjusted for any subsequent events and the transactions relating to the issue of shares pursuant to this Prospectus. The pro forma consolidated statement of financial position is to be read in conjunction with the notes to and forming part of the historical financial information set out in Appendix 3 and the prior year financial information set out in Appendix 4.

## STANFIELD FUNDS MANAGEMENT LIMITED

### NOTES TO AND FORMING PART OF THE HISTORICAL FINANCIAL INFORMATION

#### STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the Pro Forma Historical Financial Information included in this Report have been set out below.

##### **Basis of preparation of Historical Financial Information**

The Pro Forma Historical Financial Information has been prepared in accordance with the recognition and measurement, but not all the disclosure requirements of the Australian equivalents to International Financial Reporting Standards ('AIFRS'), other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Interpretations and the Corporations Act 2001.

##### **Going Concern**

The Pro Forma Historical Financial Information has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

The ability of the Company to continue as a going concern is dependent on the success of the fundraising under the Prospectus. The Directors believe that the Company will continue as a going concern. As a result the financial information has been prepared on a going concern basis. However should the fundraising under the Prospectus be unsuccessful, the entity may not be able to continue as a going concern. No adjustments have been made relating to the recoverability and classification of liabilities that might be necessary should the Company not continue as a going concern.

##### **Reporting Basis and Conventions**

The Pro Forma Historical Financial Information is also prepared on an accrual basis and is based on historic costs and does not take into account changing money values or, except where specifically stated, current valuations of non-current assets.

The following is a summary of the material accounting policies adopted by the Company in the preparation of the Pro Forma Historical Financial Information. The accounting policies have been consistently applied, unless otherwise stated.

##### **a) Principles of consolidation**

The Pro Forma Historical Financial Information incorporates the assets, liabilities and results of entities controlled by the Company at the end of the reporting period. A controlled entity is any entity over which the Company has the ability and right to govern the financial and operating policies so as to obtain benefits from the entity's activities. Control will generally exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are also considered.

Where controlled entities have entered or left the group during the year, the financial performance of those entities are included only for the period of the year that they were controlled.

In preparing the Pro Forma Historical Financial Information, all inter-group balances and transactions between entities in the consolidated group have been eliminated in full on

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consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, are reported separately within the Equity section of the consolidated Statement of Financial Position and Statement of Comprehensive Income. The non-controlling interests in the net assets comprise their interests at the date of the original business combination and their share of changes in equity since that date.

#### *Subsidiaries*

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments in subsidiaries are carried at amortised cost in the Company's financial statements.

#### *Transactions eliminated on consolidation*

Intra-group balances, and any unrealised gains and losses or income and expenses arising from intra-group transactions are eliminated in preparing the Pro Forma Historical Financial Information.

#### **b) Income tax**

The income tax expense / (benefit) for the year comprises current income tax expense (income) and deferred tax expense / (benefit). Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at the end of the reporting period. Current tax liabilities / (assets) are therefore measured at the amounts expected to be paid to / (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses. Current and deferred income tax expense / (benefit) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity. Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

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

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised. Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and

liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

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

#### **c) Inventories**

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises of direct materials and delivery costs, direct labour, import duties and other taxes, an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity, and, where applicable, transfers from cash flow hedging reserves in equity. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

Stock in transit is stated at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

#### **d) Leases**

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits. In such a case where the entity is the lessor, the asset is still recognised in the company's statement of financial position.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the company will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

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#### e) Plant and equipment

Plant and equipment are measured on the cost basis and are therefore carried at cost less accumulated depreciation and any accumulated impairment losses. Costs include expenditure that is directly attributable to the acquisition of the asset.

In the event the carrying value of plant and equipment is greater than the estimated recoverable amount, the carrying value is written down immediately to the estimated recoverable amount. A formal assessment of recoverable amount is made when impairment indicators are present.

##### *Plant and equipment*

Plant and equipment are measured using the cost model.

##### *Depreciation*

The depreciable amount of all property, plant and equipment, except for freehold land is depreciated on a straight line method from the date that management determine that the asset is available for use.

Assets held under a finance lease and leasehold improvements are depreciated over the shorter of the term of the lease and the assets useful life.

The depreciation rates used for each class of depreciable assets are:

Class of fixed asset	Depreciation Rate
Digital Entertainment System	25% - 100%
Motor Vehicles	25%
Office Fit Out & Fixtures	10% - 50%
Office Furniture & Equipment	10% - 50%
Software	33.33% - 50%
Test Equipment & Tools	25% - 40%

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

#### f) Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

#### **g) Financial instruments**

Financial instruments are recognised initially using trade date accounting, i.e. on the date that company becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

#### **h) Employee benefits**

Provision is made for the company's liability for employee benefits arising from services rendered by employees at the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled.

Employee benefits expected to be settled more than twelve months after the end of the reporting period have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements. Cashflows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cashflows. Changes in the measurement of the liability are recognised in profit or loss.

Employee benefits are presented as current liabilities in the statement of financial position if the company does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date regardless of the classification of the liability for measurement purposes under AASB 119.

#### **i) Trade and other payables**

These amounts represent liabilities for goods and services provided to the company prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

#### **j) Borrowings**

All loans and borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the loans and borrowings using the effective interest method.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

#### **k) Provisions**

Provisions are recognised when the company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

#### **l) Cash and cash equivalents**

Cash and cash equivalents comprises cash on hand, demand deposits and short-term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Bank overdrafts also form part of cash equivalents for the purpose of the statement of cash flows and are presented within current liabilities on the statement of financial position.

#### **m) Revenue and other income**

##### *Rendering of services*

Rendering of services revenue is recognised by reference to the stage of completion of the contracts. Stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours for each contract. Where the contract outcome cannot be reliably estimated, revenue is only recognised to the extent of the recoverable costs incurred to date.

##### *Equipment rental revenue*

Revenue from the hire of equipment is recognised when the service is provided.

##### *Interest revenue*

Interest revenue is recognised using the effective interest rate method.

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

#### **n) Goods and services tax (GST)**

Revenues, 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 statement of financial position.

#### **o) R&D incentives**

Refundable tax incentives are accounting for as government grants under AASB 120. Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all attached conditions.

#### **p) Available-for-sale financial assets**

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

#### **q) Intangible assets**

Goodwill is carried at cost less any accumulated impairment losses. Goodwill is calculated as the excess of the sum of:

- i. The consideration transferred;
- ii. Any non-controlling interest (determined under either the full goodwill or proportionate interest method); and
- iii. The acquisition date fair value of any previously held equity interest;

Over the acquisition date fair value of net identifiable assets acquired.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements.

Fair value remeasurements in any pre-existing equity holdings are recognised in profit or loss in the period in which they arise. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss

Goodwill is tested for impairment annually and is allocated to the Company's cash generating units or groups of cash-generating units, representing the lowest level at which goodwill is monitored being not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity disposed of.

#### **r) Accounting estimates and judgements**

In the process of applying the accounting policies, management has made certain judgements or estimations which have an effect on the amounts recognised in the Pro Forma Historical Financial Information.

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

##### *Valuation of share based payment transactions*

The valuation of share-based payment transactions is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using the Black Scholes model taking into account the terms and conditions upon which the instruments were granted.

##### *Impairment of Financial assets - Available for sale financial assets*

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

##### *Determination of fair values of consideration paid in business combinations*

At the time of acquisition, consideration transferred is required to be measured at its acquisition date fair value. With respect to performance shares issued (contingent consideration), management are required to estimate the probability of performance milestones being achieved in determining the acquisition date fair value. Management will continue to monitor and assess the likelihood of this outcome based upon information available at each reporting period.

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	Reviewed 31-Dec-15	Pro forma after Offer
<b>NOTE 2. CASH AND CASH EQUIVALENTS</b>	<b>\$</b>	<b>\$</b>
Cash and cash equivalents	134,271	3,154,271
Reviewed balance of the Company at 31 December 2015		134,271
Reviewed balance of Swift Networks at 31 December 2015		818,415
Reviewed balance of Wizzie TV at 31 December 2015		82,329
<i>Pro-forma adjustments:</i>		
Proceeds from shares issued under the Offer		4,000,000
Capital raising costs		(480,000)
Net cash adjustment for Swift Networks		(818,415)
Net cash adjustment for Wizzie TV		(82,329)
Payment of cash consideration for Proposed Acquisition		(500,000)
		<u>2,119,256</u>
Pro-forma Balance		<u>3,154,271</u>

	Reviewed 31-Dec-15	Pro forma after Offer
<b>NOTE 3. INTANGIBLE ASSETS</b>	<b>\$</b>	<b>\$</b>
Intangible assets	-	1,934,523
Reviewed balance of the Company at 31 December 2015		-
Reviewed balance of Swift Networks at 31 December 2015		1,700
Reviewed balance of Wizzie TV at 31 December 2015		409
<i>Pro-forma adjustments:</i>		
Intangible assets acquired on acquisition of Swift Networks		1,932,414
Intangible assets acquired on acquisition of Wizzie TV		-
		<u>1,932,414</u>
Pro-forma Balance		<u>1,934,523</u>

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	Reviewed 31-Dec-15	Pro forma after Offer
<b>NOTE 4. TRADE AND OTHER PAYABLES (NON CURRENT)</b>	<b>\$</b>	<b>\$</b>
Trade and other payables (Non current)	-	-
Reviewed balance of the Company at 31 December 2015		-
Reviewed balance of Swift Networks at 31 December 2015		576,827
Reviewed balance of Wizzie TV at 31 December 2015		2,612,076
<i>Pro-forma adjustments:</i>		
Net debt adjustment for Swift Networks		(576,827)
Net debt adjustment for Wizzie TV		(2,612,076)
		(3,188,903)
Pro-forma Balance		-

	Reviewed 31-Dec-15	Pro forma after Offer
<b>NOTE 5. DEFERRED TAX LIABILITIES</b>	<b>\$</b>	<b>\$</b>
Deferred tax liabilities	-	579,724
Reviewed balance of the Company at 31 December 2015		-
Reviewed balance of Swift Networks at 31 December 2015		-
Reviewed balance of Wizzie TV at 31 December 2015		-
<i>Pro-forma adjustments:</i>		
DTL uplift recognised on acquisition of Swift Networks		579,724
DTL uplift recognised on acquisition of Wizzie TV		-
		579,724
Pro-forma Balance		579,724

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	Reviewed 31-Dec-15	Pro forma after Offer
	\$	\$
<b>NOTE 6. ISSUED CAPITAL</b>		
Issued capital	5,000,000	28,897,822
	<b>Number of shares (max)</b>	<b>\$</b>
Fully paid share capital of the Company at 31 December 2015	16,158,387	19,677,822
Fully paid share capital of Swift Networks as at 31 December 2015	-	5,000,000
Fully paid share capital of Wizzie TV as at 31 December 2015	-	1
<i>Pro-forma adjustments:</i>		
Proceeds from shares issued under the Offer	26,666,667	4,000,000
Capital raising costs	-	(480,000)
Issue of Consideration Shares for the Proposed Acquisition	30,000,000	4,500,000
Elimination of Swift Networks issued capital on completion of the Proposed Acquisition	-	(5,000,000)
Elimination of Wizzie TV issued capital on completion of the Proposed Acquisition	-	(1)
Issue of Shares to Boardroom Capital	8,000,000	1,200,000
	<u>64,666,667</u>	<u>4,219,999</u>
Pro-forma Balance	<u>80,825,054</u>	<u>28,897,822</u>

	Reviewed 31-Dec-15	Pro forma after Offer
	\$	\$
<b>NOTE 7. RESERVES</b>		
Reserves	109,852	650,652
Reviewed balance of the Company at 31 December 2015		109,852
Reviewed balance of Swift Networks at 31 December 2015		-
Reviewed balance of Wizzie TV at 31 December 2015		-
<i>Pro-forma adjustments:</i>		
Issue of New Options to Boardroom Capital (or nominees)		208,000
Issue of New Options to Advisors		332,800
		<u>540,800</u>
Pro-forma Balance		<u>650,652</u>

	Reviewed 31-Dec-15	Pro forma after Offer
NOTE 8. ACCUMULATED LOSSES	\$	\$
Accumulated losses	(19,958,640)	(21,699,440)
Reviewed balance of the Company at 31 December 2015		(19,958,640)
Reviewed balance of Swift Networks at 31 December 2015		(1,140,209)
Reviewed balance of Wizzie TV at 31 December 2015		(2,500,641)
<i>Pro-forma adjustments:</i>		
Net cash and debt adjustment for Swift Networks		(241,588)
Net cash and debt adjustment for Wizzie TV		2,529,747
Elimination of Swift Networks accumulated losses on completion of the Proposed Acquisition		1,381,797
Elimination of Wizzie TV accumulated losses on completion of the Proposed Acquisition		(29,106)
Issue of Shares to Boardroom Capital		(1,200,000)
Issue of New Options to Boardroom Capital (or nominees)		(208,000)
Issue of New Options to Advisors		(332,800)
		1,900,050
Pro-forma Balance		(21,699,440)

#### NOTE 9: ACQUISITION ACCOUNTING

##### Provisional accounting for the Proposed Acquisition of Swift Networks and Wizzie TV

A summary of the acquisition details with respect to the acquisitions of Swift Networks and Wizzie TV as included in our Report is set out below. The acquisition accounting has been determined under *AASB 3: Business Combinations*. The fair value of the consideration paid, assets acquired and liabilities assumed by the Company have been determined for the purposes of the pro-forma adjustments based on preliminary fair value estimates as at 31 December 2015 however will require re-determination at completion of the Proposed Acquisition which may result in changes to the values as disclosed below.

Details of the net assets acquired, purchase consideration and notional fair value attributable to intangible assets is show below:

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	Swift Networks Fair value \$	Wizzie TV Fair value \$
Total assets acquired	5,294,747	192,808
Total liabilities acquired	(1,434,956)	(2,693,448)
<b>Net identifiable assets/(liabilities) to be acquired</b>	<b>3,859,791</b>	<b>(2,500,640)</b>
Adjustments to net assets prior to Proposed Acquisition:		
Net cash and debt adjustment	(241,588)	2,529,747
<b>Adjusted net identifiable assets/(liabilities) to be acquired</b>	<b>3,618,203</b>	<b>29,107</b>
<b>Purchase consideration for Swift Networks and Wizzie TV comprises:</b>		
30 million Consideration Shares issued at \$0.15 each*	4,500,000	-
16.67 million Class A Performance Shares**	-	-
16.67 million Class B Performance Shares**	-	-
Cash consideration	470,893	29,107
	<b>4,970,893</b>	<b>29,107</b>
<b>Fair value attributable to intangible assets acquired</b>	<b>1,352,690</b>	<b>-</b>
Pro-forma adjustment to intangible assets incorporating deferred tax liability (DTL)	1,932,414	-
DTL uplift recognised at 30% of the value of intangible assets (refer Note 5)	579,724	-

\*The Proposed Acquisition provides for the issue of 30,000,000 Consideration Shares and \$0.5 million Cash to the Seller Group. There has been no allocation of the Consideration Shares or Cash between Swift Networks or Wizzie TV therefore we have allocated the Consideration Shares and Cash between the two entities based on their adjusted net assets as at the date of the Proposed Acquisition. The Consideration Shares have been valued using an underlying share price of \$0.15 per share, being the Offer price.

\*\*The Class A Performance Shares and Class B Performance Shares have been assigned a nil value as both milestones are based on the consolidated Company achieving gross revenue targets in the future. The Director's currently have no reasonable grounds in which to assess the likelihood of these milestones being met and therefore have assigned nil value to these. However, at completion of the Proposed Acquisition the likelihood of these milestones being achieved will be reassessed which may result in changes to the values as disclosed above.

#### NOTE 10: RELATED PARTY DISCLOSURES

Transactions with Related Parties and Directors Interests are disclosed in the Prospectus.

#### NOTE 11: COMMITMENTS AND CONTINGENCIES

At the date of the report no other material commitments or contingent liabilities exist that we are aware of, other than those disclosed in the Prospectus.

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