

# SWIFT NETWORKS GROUP LIMITED

ABN: 54 006 222 395

## APPENDIX 4D

### FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

#### RESULTS FOR ANNOUNCEMENT TO THE MARKET:

The Directors of Swift Networks Group Limited are pleased to announce the results of the Company for the half-year ended 31 December 2017.

<i>Key information (extracted from interim financial report)</i>	Change (Down) / Up %	Half-Year Ended 31 December 2017 \$
Revenue from ordinary activities	32%	10,383,398
Net (loss)/profit from ordinary activities after tax attributable to members	(4,207%)	(7,999,752)
Net (loss)/profit after tax attributable to members	(4,207%)	(7,999,752)

#### DIVIDENDS

No dividends have been paid or declared during the current financial period.

#### NET TANGIBLE ASSETS PER SHARE

	31 December 2017	31 December 2016
Net tangible assets per share	(7.43) cents	0.99 cents

On behalf of the Board

**SWIFT NETWORKS GROUP LIMITED**



**Mr. Carl Clump**  
Chairman

26 February 2018

**SWIFT NETWORKS GROUP LIMITED AND CONTROLLED ENTITIES**  
**ABN: 54 006 222 395**

**Interim report for the half year ended 31 December 2017**

**SWIFT NETWORKS GROUP LIMITED AND CONTROLLED ENTITIES**  
**ABN: 54 006 222 395**

**Contents**

Directors' Report	3
Auditor's Independence Declaration	6
Consolidated Statement of Profit or Loss and Other Comprehensive Income	7
Consolidated Statement of Financial Position	8
Consolidated Statement of Changes in Equity	9
Consolidated Statement of Cash Flows	10
Notes to the Consolidated Financial Statements	11
Directors Declaration	27
Independent Auditor Report	28

# SWIFT NETWORKS GROUP LIMITED AND CONTROLLED ENTITIES

## ABN: 54 006 222 395

### Directors' Report

The Board of Directors of Swift Networks Group Limited ("the Group" or "the Company") submits its report in respect of the half year ended 31 December 2017.

The Directors of the Company in office during the half year and at the date of this report are:

Name	Position
Mr Carl Clump	Non-Executive Chairman
Mr Xavier Kris	Executive Director – Chief Executive Officer
Mr Paul Doropoulos	Non-Executive Director
Mr Robert Sofoulis	Non-Executive Director
Mr Ryan Sofoulis	Executive Director

The Company Secretary is Mr Stephen Hewitt-Dutton.

### Principal activities

The principal activities of the Group during the period were the provision of telecommunications and entertainment content solutions to the Resources, Offshore Energy and Maritime, Hospitality, Student Accommodation, Lifestyle Villages and Aged Care sectors.

### Review of Operations and Financial Results

#### Operational review

The six months to 31 December 2017 featured many highlights as the Group continued to deploy its growth strategy, including the following:

- Several new contracts won in the Resources sector and Aged Care sectors
- Successful \$4.5 million capital raising and establishment of a \$3m facility with Bankwest to facilitate the transformational acquisition of Video on Demand, a leading digital entertainment provider in the hospitality sector
- Signing reseller agreements with AST and DXC to facilitate Swift's cross geography, cross-sector expansion strategy
- Boosting and enhancing its content library and guest experience by securing premium content available on a global basis

#### Financial review

The Group had Earnings before interest, taxation, depreciation of amortisation (EBITDA\*) for the half year of \$1,024,587 (2016 – profit of \$506,057). \*EBITDA is non-IFRS financial information.

The statutory (loss) after tax of the Group for the half year amounted to \$7,999,752 (2016 – profit of \$194,795). The result includes statutory one-off non-cash adjustments of \$6,020,833 for the revaluation of financial liabilities in respect of various performance shares based on the significant increase in likelihood of achieving the performance milestones, and \$1,223,940 in share based payments which may be made in the future as part of the executive incentive remuneration framework.

The Group's statement of financial position as at 31 December 2017 featured a significant strengthening of its asset base primarily through the July capital raising to fund its acquisition of Video on Demand. During the six-month period to 31 December 2017, the Group established a \$3.0m facility with Bankwest.

# SWIFT NETWORKS GROUP LIMITED AND CONTROLLED ENTITIES

ABN: 54 006 222 395

## Directors' report (continued)

For the six months to 31 December 2017 the Group has achieved operating revenues of \$10,383,398 which represents growth of 32% compared to the six months ended 31 December 2016. As a result, cash receipts have grown by 33% over the same period. This, coupled with good cost controls, translated into increased profitability and four consecutive quarters of positive cash flows from operations.

The Group had underlying Earnings Before Interest, Tax, Depreciation Amortisation ("EBITDA") of \$1,024,587. A reconciliation of EBITDA to NPAT is provided below:

	Dec-17	Dec-16	Description
	A\$	A\$	
<b>Net Profit/ (loss) after tax</b>	<b>(7,999,752)</b>	<b>194,795</b>	Refer to the Consolidated Statement of Profit or loss and Other Comprehensive Income
Income tax expense/ (benefit)	(18,860)	-	Refer to the Consolidated Statement of Profit or loss and Other Comprehensive Income
Interest costs (net)	37,974	(4,465)	Refer to the Consolidated Statement of Profit or loss and Other Comprehensive Income
Depreciation & amortisation expense	499,398	77,733	Incurred In the ordinary course of business
Amortisation expense	1,090,547	235,378	Attributable to the amortisation of intangibles recognised as part of acquisitions made
Fair valuation loss on financial liability	6,020,833	-	Non-cash year end adjustment to the fair value of financial liabilities in respect of various performance shares (refer to Note 5)
Share based payments	1,223,940	-	Share-based payments issued to the executive management team (refer to Note 7)
Other expenses	170,507	2,616	Acquisition related integration and restructuring costs and cash settled incentives (refer Note 11)
<b>Underlying EBITDA*</b>	<b>1,024,587</b>	<b>506,057</b>	

\*Non-IFRS financial information

## Outlook

The Group anticipates that its results for the six months to June 2018 will continue to show improvement due to the following factors:

- New contract wins emanating from the significant reseller agreements recently signed with AST and DXC, as well as other pre-existing reseller agreements
- Continued expansion of its presence globally in the Aged Care & Lifestyle, Hospitality, Student Accommodation and Offshore energy & Maritime sectors
- New revenues from new product development such as Bring Your Own Device, Digital Signage and Analytics capabilities.

**SWIFT NETWORKS GROUP LIMITED AND CONTROLLED ENTITIES**  
**ABN: 54 006 222 395**

**Directors' report (continued)**

**Subsequent events**

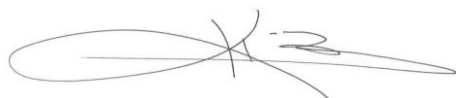
There were no events subsequent to reporting date to disclose at the date of signing of this report.

**Auditors Independence Declaration**

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 6.



Mr Carl Clump  
Chairman



Mr Xavier Kris  
Director

DECLARATION OF INDEPENDENCE BY DEAN JUST TO THE DIRECTORS OF SWIFT NETWORKS GROUP LIMITED

As lead auditor for the review of Swift Networks Group Limited for the half-year ended 31 December 2017, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Swift Networks Group Limited and the entities it controlled during the period.



Dean Just

Director

BDO Audit (WA) Pty Ltd

Perth, 26 February 2018

**SWIFT NETWORKS GROUP LIMITED AND CONTROLLED ENTITIES**  
**ABN: 54 006 222 395**

**Consolidated Statement of Profit or Loss and Other Comprehensive Income**  
**For the six months to 31 December 2017**

Note	Half year ended Dec-17 \$	Half year ended Dec-16 \$
<b>Revenue</b>		
Revenue from continuing operations	10,383,398	7,844,771
Other income	15,277	8,306
<b>Total revenue and income</b>	<b>10,398,675</b>	<b>7,853,077</b>
<b>Expenses</b>		
Cost of sales	(6,324,681)	(5,411,384)
Depreciation & amortisation expenses	(1,589,945)	(313,111)
Employment costs	(2,012,211)	(690,072)
General and administration expenses	(1,021,920)	(1,237,258)
Finance costs	(53,250)	(3,841)
Share Based Payment expenses	(1,223,940)	-
Fair Value Loss on Financial Liability	(6,020,833)	-
Other expenses	(170,507)	(2,616)
<b>Total Expenses</b>	<b>(18,417,287)</b>	<b>(7,658,282)</b>
<b>Profit/(loss) before income tax expense</b>	<b>(8,018,612)</b>	<b>194,795</b>
Income tax (expense)/benefit	18,860	-
<b>Profit/(loss) after income tax expense</b>	<b>(7,999,752)</b>	<b>194,795</b>
<b>Other comprehensive income/(loss) for the period</b>		
Items that may be reclassified to profit or loss	-	-
<b>Other comprehensive income/(loss) for the period</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive (loss)/profit for the period</b>	<b>(7,999,752)</b>	<b>194,795</b>
	<b>Cents</b>	<b>Cents</b>
<b>Loss per share attributable to the members of Swift Networks Group Limited:</b>		
Basic earnings/(loss) per share	(0.07)	0.23
Diluted earnings/(loss) per share	(0.07)	0.23

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



# SWIFT NETWORKS GROUP LIMITED AND CONTROLLED ENTITIES

## ABN: 54 006 222 395

### Consolidated Statement of Financial Position

as at 31 December 2017

	Note	Dec-17 \$	Jun-17 \$
<b>Current Assets</b>			
Cash and cash equivalents		4,118,264	2,237,906
Trade and other receivables		4,065,031	2,189,478
Inventory		543,420	666,631
Other current assets		250,294	191,012
<b>Total Current Assets</b>		<b>8,977,009</b>	<b>5,285,027</b>
<b>Non-Current Assets</b>			
Property, plant and equipment		1,729,477	1,086,747
Deferred tax assets		1,330,344	1,406,658
Intangible assets	3	12,805,814	6,702,105
Other non-current assets		94,814	-
<b>Total Non-Current Assets</b>		<b>15,960,449</b>	<b>9,195,510</b>
<b>Total Assets</b>		<b>24,937,458</b>	<b>14,480,537</b>
<b>Current Liabilities</b>			
Trade and other payables		4,443,225	3,012,308
Unearned revenue		579,212	222,399
Provisions		729,016	435,790
Borrowings	4	750,000	-
Financial Liabilities	5	5,812,500	-
<b>Total Current Liabilities</b>		<b>12,313,953</b>	<b>3,670,497</b>
<b>Non-Current Liabilities</b>			
Financial liabilities	5	4,812,500	4,604,167
Borrowings	4	2,062,500	-
Deferred tax liabilities		718,256	64,890
<b>Total Non-Current Liabilities</b>		<b>7,593,256</b>	<b>4,669,057</b>
<b>Total Liabilities</b>		<b>19,907,209</b>	<b>8,339,554</b>
<b>Net Assets</b>		<b>5,030,249</b>	<b>6,140,983</b>
<b>Equity</b>			
Issued capital	6	36,434,044	30,768,966
Reserves		1,998,692	774,652
Accumulated losses		(33,402,387)	(25,402,635)
<b>Total Equity</b>		<b>5,030,249</b>	<b>6,140,983</b>

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

**SWIFT NETWORKS GROUP LIMITED AND CONTROLLED ENTITIES**  
**ABN: 54 006 222 395**

**Consolidated Statement of Changes in Equity**  
**for the half year ended 31 December 2017**

<b>Note</b>	<b>Issued Capital</b>	<b>Reserves</b>	<b>Accumulated losses</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>For the period ended 31 December 2017</b>				
At the beginning of the period	30,768,966	774,652	(25,402,635)	<b>6,140,983</b>
Total comprehensive loss for the period	-	-	(7,999,752)	<b>(7,999,752)</b>
Transactions with shareholders in their capacity as shareholders:				
- Placement of shares	4,500,000	-	-	<b>4,500,000</b>
- Share issue costs	(338,922)	-	-	<b>(338,922)</b>
- Options exercised	280,000	-	-	<b>280,000</b>
- VOD Acquisition	1,224,000	-	-	<b>1,224,000</b>
Share based payments	7	1,223,940	-	<b>1,223,990</b>
At the end of the period	<b>6</b>	<b>36,434,044</b>	<b>(33,402,387)</b>	<b>5,030,249</b>
<b>For the period ended 31 December 2016</b>				
At the beginning of the period	28,727,663	650,652	(24,038,437)	5,339,878
Total comprehensive profit for the period	-	-	194,795	194,795
Transactions with shareholders in their capacity as shareholders:				
- Placement of shares	2,100,000	-	-	2,100,000
- Share issue costs	(176,013)	-	-	(176,013)
<b>At the end of the period</b>	<b>6</b>	<b>30,651,650</b>	<b>(23,843,842)</b>	<b>7,458,660</b>

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

**SWIFT NETWORKS GROUP LIMITED AND CONTROLLED ENTITIES**  
**ABN: 54 006 222 395**

**Consolidated Statement of Cash Flows**  
**for the half year ended 31 December 2017**

	<b>Note</b>	<b>Half year ended Dec-17 \$</b>	<b>Half year ended Dec-16 \$</b>
<b>Cash Flows from Operating Activities</b>			
Cash receipts in the course of operations		9,829,993	7,405,649
Cash payments in the course of operations		(8,560,456)	(8,020,586)
Finance costs		(29,813)	(3,841)
Interest received		13,318	8,306
<b>Net cash from operating activities</b>		<b>1,253,042</b>	<b>(610,472)</b>
<b>Cash Flows from Investing Activities</b>			
Purchase of property, plant and equipment		(800,793)	(8,377)
Payment for acquisition of business, net of cash	2	(5,100,000)	(399,130)
Payment for development and subscribers		(619,542)	(486,751)
<b>Net cash (used in) investing activities</b>		<b>(6,520,335)</b>	<b>(894,258)</b>
<b>Cash Flows from Financing Activities</b>			
Proceeds from issue of shares	6	4,780,000	2,000,000
Payment of share issue costs		(338,922)	(180,070)
Proceeds from borrowings		3,000,000	-
Repayment of borrowings		(187,500)	(909,309)
Payment of debt establishment costs		(105,927)	-
<b>Net cash flows from financing activities</b>		<b>7,147,651</b>	<b>910,621</b>
<b>Net (decrease) in cash and cash equivalents</b>		<b>1,880,358</b>	<b>(594,109)</b>
<b>Cash at the beginning of the period</b>		<b>2,237,906</b>	<b>3,208,352</b>
<b>Cash at the end of the period</b>		<b>4,118,264</b>	<b>2,614,243</b>

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

# SWIFT NETWORKS GROUP LIMITED AND CONTROLLED ENTITIES

## ABN: 54 006 222 395

### Notes to the Financial Statements For the half year ended 31 December 2017

#### Note 1. Basis for preparation and accounting policies

##### (a) Corporate Information

The financial report of Swift Networks Group Limited and its subsidiaries (the Group of Company) for the half year ended 31 December 2017 was authorised for issue in accordance with a resolution of the directors on 26 February 2018.

Swift Networks Group Limited is a company limited by shares incorporated and domiciled in Australia. The company's shares are publicly traded on the Australian Securities Exchange (ASX).

##### (b) Basis of Preparation

The interim financial report for the half year ended 31 December 2017 has been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001.

The half year financial report does not include all notes of the type normally included within the audited financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Group as the full financial report.

It is recommended that the half year financial report be read in conjunction with any public announcements made by Swift Networks Group Limited during the half year ended 31 December 2017 in accordance with the continuous disclosure obligations of the ASX listing rules.

The accounting policies applied and methods of computation for the half year ended 31 December 2017 are consistent with those of the annual financial report for the year ended 30 June 2017.

##### (c) Significant Judgment

The Directors have assessed the likelihood of reaching various performance share milestones at reporting date (refer to Note 5) and key performance indicators linked to the share-based payments (refer to Note 7) made to qualifying executives based on internal budgeting and information regarding contracts related to rooms, revenue and profitability.

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of acquisition.

# SWIFT NETWORKS GROUP LIMITED AND CONTROLLED ENTITIES

## ABN: 54 006 222 395

### Note 2. Business Combinations

#### (a) Summary of acquisition – Movie Source Pty Ltd and VOD Pty Ltd

On 31 August 2017 the Group acquired 100% of the issued share capital of Movie Source Pty Ltd and VOD Pty Ltd. The Group has provisionally recognised the fair values of the assets and liabilities based on the best available information available at reporting date. Details of the purchase consideration and the net assets acquired are as follows:

Purchase consideration:	\$
Cash consideration	5,100,000
Ordinary shares issued	1,224,000
Adjustment payment to Vendor (payable)	481,006
<b>Total Purchase Consideration</b>	<b>6,805,006</b>

The assets and liabilities recognised as a result of the acquisition are as follows:

Cash	255
Inventory	38,673
Trade debtors	1,771,778
Other assets	1,485
Plant & Equipment	122,220
Intangibles – Other	2,698
Intangibles – Product development	650,000
Intangibles – Supplier contracts	123,610
Intangibles – Customer contracts & Brand loyalty	1,271,523
Deferred tax liabilities	(614,540)
Trade and other payables	(457,260)
Unearned income	(836,667)
Provisions	(259,831)

# SWIFT NETWORKS GROUP LIMITED AND CONTROLLED ENTITIES

## ABN: 54 006 222 395

### Note 2. Business Combinations (continued)

Net identifiable assets	1,813,944
Add: Goodwill	4,991,062
Net assets acquired	<u>6,805,006</u>

(i) The goodwill is attributable to the forecast profitability of the acquired business. It will not be deductible for tax purposes.

(ii) The directors believe the receivables are fully recoverable and no provision for impairment is required.

(iii) Revenue and net profit before tax of VOD included in the consolidated statement of profit or loss and other comprehensive income from the acquisition date of 1 September 2017 to 31 December 2017 were \$1,070,854 and \$308,512.

# SWIFT NETWORKS GROUP LIMITED AND CONTROLLED ENTITIES

## ABN: 54 006 222 395

### Note 2. Business Combinations (continued)

#### (b) Summary of acquisition - Web 2 TV

On 16 November 2016 the Group acquired the Web 2 TV business. Details of the purchase consideration and the net assets acquired are as follows:

Purchase consideration:	\$
Cash paid	240,519
Contingent Consideration: Shares and cash to be issued upon successfully meeting performance hurdles, pursuant to the acquisition agreement (refer to Note 5)	525,000
<b>Total Purchase Consideration</b>	<b>765,519</b>
The assets and liabilities recognised as a result of the acquisition are as follows:	
Inventory	18,880
Intangibles – Customer contracts	250,000
Deferred tax liabilities	(75,000)
Unearned revenue	(190,042)
Provisions	(16,319)
Net identifiable assets	(12,481)
Add: Goodwill	778,000
<b>Net assets acquired</b>	<b>765,519</b>

(i) The goodwill is attributable to the forecast profitability of the acquired business. It will not be deductible for tax purposes.

(ii) The directors believe the receivables are fully recoverable and no provision for impairment is required.

(iii) At 30 June 2017 provisional accounting was applied to the fair value of the identifiable assets and liabilities. At 31 December 2017 as a result of finalising the acquiree's position, an adjustment has been made to recognise an intangible for customer contracts (net of tax) with a comparative decrease in goodwill of \$175,000.

# SWIFT NETWORKS GROUP LIMITED AND CONTROLLED ENTITIES

## ABN: 54 006 222 395

### Note 2. Business Combination (continued)

#### (c) Summary of acquisition - Living Networks

On 16 November 2016 the Group acquired the Living Networks business. Details of the purchase consideration and the net assets acquired are as follows:

Purchase consideration:	\$
Cash paid	158,611
Ordinary shares issued	100,000
Contingent Consideration: Shares and cash to be issued upon successfully meeting performance hurdles, pursuant to the acquisition agreement (refer to Note 5)	250,000
<b>Total Purchase Consideration</b>	<b>508,611</b>
The assets and liabilities recognised as a result of the acquisition are as follows:	
Other current assets	7,249
Intangibles – Customer contracts	200,000
Deferred tax liabilities	(60,000)
Trade and other payables	(20,000)
Unearned revenue	(28,638)
Net identifiable assets	98,611
Add: Goodwill	410,000
<b>Net assets acquired</b>	<b>508,611</b>

(i) The goodwill is attributable to the forecast profitability of the acquired business. It will not be deductible for tax purposes.

(ii) The directors believe the receivables are fully recoverable and no provision for impairment is required.

(iii) At 30 June 2017 provisional accounting was applied to the fair value of the identifiable assets and liabilities. At 31 December 2017 as a result of finalising the acquiree's position, an adjustment has been made to recognise an intangible for customer contracts (net of tax) with a comparative decrease in goodwill of \$140,000.



**SWIFT NETWORKS GROUP LIMITED AND CONTROLLED ENTITIES**  
**ABN: 54 006 222 395**

**Note 3. Intangible assets**

	<b>Goodwill</b>	<b>Development</b>	<b>Subscriber</b>	<b>Customer</b>	<b>Supplier</b>	<b>Other</b>	<b>Total</b>
		<b>Costs</b>	<b>Acquisition</b>	<b>contracts</b>	<b>Contracts</b>	<b>Intangibles</b>	
	<b>\$</b>	<b>\$</b>	<b>Costs</b>	<b>Brand</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
			<b>\$</b>	<b>loyalty</b>			
				<b>\$</b>			
<b>Non-current assets</b>							
<b>Period ended 31 December 2017</b>							
Opening net book amount	5,539,187	548,470	228,107	216,304	-	170,036	<b>6,702,104</b>
Additions	-	439,680	170,324	-	-	9,538	<b>619,542</b>
R&D tax credit refundable	-	(408,761)	-	-	-	-	<b>(408,761)</b>
Acquired upon acquisition of subsidiaries (net of provisional accounting adjustments)	4,676,262	650,000	-	1,721,523	123,609	-	<b>7,171,394</b>
Amortisation and impairment charge	-	(152,813)	(70,604)	(977,122)	(41,203)	(36,723)	<b>(1,278,465)</b>
Closing net book amount	<b>10,215,449</b>	<b>1,076,576</b>	<b>327,827</b>	<b>960,705</b>	<b>82,406</b>	<b>142,851</b>	<b>12,805,814</b>
Cost	10,215,449	1,271,517	469,682	2,370,434	123,609	184,448	<b>14,635,139</b>
Accumulated amortisation and impairments	-	(194,941)	(141,855)	(1,409,729)	(41,203)	(41,597)	<b>(1,829,325)</b>
Closing net book amount	<b>10,215,449</b>	<b>1,076,576</b>	<b>327,827</b>	<b>960,705</b>	<b>82,406</b>	<b>142,851</b>	<b>12,805,814</b>

**SWIFT NETWORKS GROUP LIMITED AND CONTROLLED ENTITIES**  
**ABN: 54 006 222 395**

**Note 3. Intangible assets (continued)**

	<b>Goodwill</b>	<b>Development</b>	<b>Subscriber</b>	<b>Customer</b>	<b>Supplier</b>	<b>Other</b>	<b>Total</b>
		<b>costs</b>	<b>Acquisition</b>	<b>contracts</b>	<b>Contracts</b>	<b>Intangibles</b>	
	<b>\$</b>	<b>\$</b>	<b>Costs</b>	<b>Brand</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
			<b>\$</b>	<b>loyalty</b>			
				<b>\$</b>			
<b>Non-current assets</b>							
<b>Year ended 30 June 2017</b>							
Opening net book amount	4,036,187	-	-	648,911	-	-	<b>4,685,098</b>
Additions	-	590,598	299,358	-	-	174,910	<b>1,064,866</b>
R&D tax credit refundable	-	-	-	-	-	-	-
Acquired upon acquisition of subsidiaries	1,503,000	-	-	-	-	-	<b>1,503,000</b>
Amortisation and impairment charge	-	(42,127)	(71,251)	(432,607)	-	(4,874)	<b>(550,859)</b>
Closing net book amount	<b>5,539,187</b>	<b>548,471</b>	<b>228,107</b>	<b>216,304</b>	-	<b>170,036</b>	<b>6,702,105</b>
Cost	5,539,187	590,598	299,358	648,911	-	174,910	<b>7,252,964</b>
Accumulated amortisation and impairments	-	(42,127)	(71,251)	(432,607)	-	(4,874)	<b>(550,859)</b>
Closing net book amount	<b>5,539,187</b>	<b>548,471</b>	<b>228,107</b>	<b>216,304</b>	-	<b>170,036</b>	<b>6,702,105</b>

# SWIFT NETWORKS GROUP LIMITED AND CONTROLLED ENTITIES

## ABN: 54 006 222 395

### Note 4. Loans and Borrowings

	Dec-17	Jun-17
<i>Current</i>		
Bank Loans	750,000	-
<i>Non-current</i>		
Bank Loans	2,062,500	-
<b>Total</b>	<b>2,812,500</b>	<b>-</b>

In September 2017 the Group secured a loan of \$3,000,000 from Bankwest to fund the purchase of VOD Pty Ltd. The loan is secured via a General Security Interest (GSI) over Swift Networks Group Limited, Swift Networks Pty and Wizzie Pty Ltd.

The Group is in compliance with its bank covenants and expects to continue to meet all covenants at the next review on 30 June 2018.

The term of the loan was as follows:

Name	Currency	Financial Year of maturity	Dec-17	Jun-17
Secured bank loans	AUD	2021	2,812,500	-
<b>Total</b>			<b>2,812,500</b>	<b>-</b>

### Note 5. Financial Liability – at Fair Value

	Dec-17	Jun-17
<i>Current</i>		
Transferred from non-current liabilities	<b>5,812,500</b>	-
<i>Non-current</i>		
Opening balance	4,604,167	1,900,000
Amount due under contract of sale - at acquisition	-	775,000
Add: Fair value through the P&L	6,020,833	1,929,167
Transferred to current liabilities	(5,812,500)	-
<b>Closing balance</b>	<b>4,812,500</b>	<b>4,604,167</b>

The above liability relates to the potential issue of ordinary shares in the Group to the vendors of Swift Networks Pty Ltd and Wizzie TV Pty Ltd, Living Networks and Web 2 TV pursuant to the respective agreements.

**SWIFT NETWORKS GROUP LIMITED AND CONTROLLED ENTITIES**  
**ABN: 54 006 222 395**

**Note 5. Financial Liability – at Fair Value (continued)**

**Significant Judgement**

(a) Based on internal budgeting and information regarding contracts signed relating to rooms and revenue the Directors have assessed the likelihood of reaching these milestones to be as follows:

Entity	At initial recognition	At 30 June 2017	At 31 December 2017	Fair value at 31 December 2017
Swift Networks Pty Ltd / Wizzie Pty Ltd	Milestone 1 – 20% Milestone 2 – 15%	Milestone 1 – 50% Milestone 2 – 30%	Milestone 1 – 75% Milestone 2 – 50%	\$9,687,500
Living Networks	Milestone 1 – 50% Milestone 2 – 50%	Milestone 1 – 50% Milestone 2 – 50%	Milestone 1 – 50% Milestone 2 – 50%	\$250,000
Web 2 TV	Milestone 1 – 50% Milestone 2 – 45% Milestone 3 – 40% Milestone 4 – 35% Milestone 5 – 30% Milestone 6 – 25% Milestone 7 – 20% Milestone 8 – 15% Milestone 9 – 10%	Milestone 1 – 75% Milestone 2 – 60% Milestone 3 – 50% Milestone 4 – 40% Milestone 5 – 30% Milestone 6 – 25% Milestone 7 – 20% Milestone 8 – 15% Milestone 9 – 10%	Milestone 1 – 75% Milestone 2 – 60% Milestone 3 – 50% Milestone 4 – 40% Milestone 5 – 30% Milestone 6 – 25% Milestone 7 – 20% Milestone 8 – 15% Milestone 9 – 10%	\$687,500

(b) The financial liability is a level 3 financial instrument. The Following summarises quantitative information about the significant unobservable inputs:

Entity	Description	Unobservable inputs	Range of inputs	Relationship of inputs to fair value
Swift Networks Pty Ltd / Wizzie Pty Ltd	Contingent consideration	Probability of achieving Milestones disclosed above	Milestone 1 – 75% Milestone 2 – 50%	If the probability of achieving each milestone was 10% higher (or lower) the fair value would increase (decrease) by \$916,667
Living Networks	Contingent consideration	Probability of achieving Milestones disclosed above	Milestone 1 – 50% Milestone 2 – 50%	If the probability of achieving each milestone was 10% higher (or lower) the fair value would increase (decrease) by \$50,000
Web 2 TV	Contingent consideration	Probability of achieving Milestones disclosed above	Milestone 1 – 75% Milestone 2 – 60% Milestone 3 – 50% Milestone 4 – 40% Milestone 5 – 30% Milestone 6 – 25% Milestone 7 – 20% Milestone 8 – 15% Milestone 9 – 10%	If the probability of achieving each milestone was 10% higher (or lower) the fair value would increase (decrease) by \$150,000

# SWIFT NETWORKS GROUP LIMITED AND CONTROLLED ENTITIES

## ABN: 54 006 222 395

### Note 6. Issued capital

	Dec-17	Jun-17
Issued capital	<b>36,434,044</b>	<b>30,768,966</b>

<b>Movement in Ordinary Share Capital:</b>	<b>31 December 2017 No.</b>	<b>30 June 2017 No.</b>	<b>31 December 2017 \$</b>	<b>30 June 2017 \$</b>
At the beginning of the period	90,212,903	80,825,054	30,768,966	28,727,663
Placements:				
- 18 August 2017	9,182,000	-	2,295,500	-
- 12 July 2017	8,818,000	-	2,204,500	-
- 8 November 2016	-	8,695,653	-	2,000,000
VOD acquisition (1 September 2017) (a)	3,600,000	-	1,224,000	-
Options exercised during the period	1,120,000	-	280,000	-
Living Networks acquisition (16 November 2016) (b)	-	407,997	-	100,000
Advisor offer (24 May 2017)	-	284,199	-	75,000
Share issue costs	-	-	(338,922)	(133,697)
	<b>112,932,903</b>	<b>90,212,903</b>	<b>36,434,044</b>	<b>30,768,966</b>

#### (a) Movie Source/VOD acquisition

Under the terms of the Swift Networks acquisition, the Group issued 3,600,000 shares as part of the consideration paid to the vendors for the acquisition of Movie Source Pty Ltd and VOD Pty Ltd on 31 August 2017.

#### (b) Living Networks acquisition

Under the terms of the Living Networks acquisition, the Group issued \$100,000 worth of shares upon the acquisition of the Living Networks business.

#### Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amount paid on the shares held. The fully paid ordinary shares have no par value. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, shall have one vote and upon a poll each share shall have one vote.

# SWIFT NETWORKS GROUP LIMITED AND CONTROLLED ENTITIES

## ABN: 54 006 222 395

### Note 6. Issued capital (continued)

#### Options

At 31 December 2017 there were 17,253,333 options (30 June 2017: 18,373,333) options available for exercise.

Exercise price	25 cents	15 cents	35 cents	42 cents	<b>Total</b>
Expiry date	30-Apr-18	19-May-21	31-May-21	31-May-21	
Opening balance	9,440,000	6,933,333	1,000,000	1,000,000	<b>18,373,333</b>
Issued during the period	-	-	-	-	-
Expired during the period	-	-	-	-	-
Exercised during the period	(1,120,000)	-	-	-	<b>(1,120,000)</b>
Closing balance	<b>8,320,000</b>	<b>6,933,333</b>	<b>1,000,000</b>	<b>1,000,000</b>	<b>17,253,333</b>

### Note 7. Share based payments

#### 2017 Executive Incentive Plan

The issue of Deferred Options, Performance Rights and Share Appreciation Rights under an Executive Incentive Plan (EIP) to Swift directors Xavier Kris and Paul Doropoulos and other selected senior executives was approved by shareholders at the Group's Annual General Meeting (AGM) held on 27 October 2017.

As part of the 2017 EIP, Paul Doropoulos elected a short term incentive cash settlement option of \$20,100.

#### **Deferred Options**

Entitle holders to receive one share for each option exercised. No consideration is payable on the exercise of the options. Under the EIP, Deferred Options form part of the bonus pool which entitle individuals to elect to take their share of the Bonus pool as either cash, deferred options or a combination of both. Deferred Options vest immediately.

#### **Performance rights**

Are rights to receive shares in the event that certain Vesting Conditions are met and the Performance Rights are exercised.

The company's performance period is 3 years from 1 July 2016 to 30 June 2019. The vesting date is 1 July 2019 subject to the satisfaction of the following vesting conditions:

# SWIFT NETWORKS GROUP LIMITED AND CONTROLLED ENTITIES

ABN: 54 006 222 395

## Note 7. Share based payments (continued)

Class A Performance Rights	Class B Performance Rights
<p>If the Company achieves compound annual growth in Baseline EBITDA of 268%, then 50% of the PR's will vest. Management have attributed a 100% probability of rights vesting.</p> <p>If the Company achieves compound annual growth in Baseline EBITDA above 268% but less than 532%, then between 50% and 100% of the PR's will vest. Management have attributed a 100% probability of rights vesting.</p> <p>If the Company achieves compound annual growth in Baseline EBITDA above 532%, then 100% of the PR's will vest. Management have attributed a 0% probability of rights vesting.</p>	<p>If the Company's relative Total Shareholder Return (TSR) ranking is between P50th, 0% of the PR's will vest</p> <p>If the Company's relative Total Shareholder Return (TSR) ranking is P50th, 50% of the PR's will vest</p> <p>If the Company's relative Total Shareholder Return (TSR) ranking is between P50th and P75th, between 50% and 100% of the PR's will vest</p> <p>If the Company's relative Total Shareholder Return (TSR) ranking is above P75th, 100% of the PR's will vest</p>

### Share Appreciation Rights (SAR)

Are rights to receive the value equal to the increase in the value of the Share above the applicable grant price in the event that certain vesting conditions are met and the Share Appreciation Rights are exercised.

The company's performance period is 3 years from 1 July 2016 to 30 June 2019. The vesting date is 1 July 2019 subject to the satisfaction of the following vesting conditions:

Share Appreciation Rights
<p>If cumulative growth in the grant price is less than 106%, no SARs will vest</p> <p>If cumulative growth in the grant price is 106%, 50% of the SARs will vest</p> <p>If cumulative growth in the grant price is above 106% but less than 170%, then between 50% and 100% of SARs will vest on a pro rata basis</p> <p>If cumulative growth in the grant price is 170% or above, 100% of the SARs will vest</p>

# SWIFT NETWORKS GROUP LIMITED AND CONTROLLED ENTITIES

## ABN: 54 006 222 395

### Note 7. Share based payments (continued)

#### Valuation

The fair value of these share-based instruments was calculated as follows:

	Deferred Options	Class A Performance Rights	Class B Performance Rights	Share Appreciation Rights
Method	Black Scholes	Monte Carlo	Hybrid ESO	Hybrid ESO
Spot price	50 cents	50 cents	50 cents	50 cents
Strike price	0 cents	0 cents	0 cents	0 cents
Time to maturity	5 years	3 years	5 years	5 years
Volatility	75.00%	75.00%	75.00%	75.00%
Risk free rate	2.28%	1.87%	1.87%	1.87%
Probability of vesting	N/a	75.00%*	N/a	N/a
Fair value per unit (cents)	50.0000	37.1093	40.7390	45.1383

\*This is the weighted average of probability

The Company engaged an independent expert to provide the valuations, which are summarised below:

Recipient	Deferred options		Class A Performance Rights		Class B Performance Rights		Share Appreciation Rights	
	Number	\$ Total fair value	Number	\$ Total fair value	Number	\$ Total fair value	Number	\$ Total fair value
Xavier Kris	181,176	90,588	452,841	168,046	452,841	184,483	452,841	204,405
Paul Doropoulos*	-	-	156,174	57,955	156,174	63,624	156,174	70,494
Other	77,647	38,824	130,391	48,347	130,391	53,120	130,391	58,856
<b>Total</b>	<b>258,823</b>	<b>129,412</b>	<b>739,406</b>	<b>274,348</b>	<b>739,406</b>	<b>301,227</b>	<b>739,406</b>	<b>333,755</b>

\*Paul Doropoulos resigned as Chief Financial Officer on 30 June 2017 but remains a Non-Executive Director of the Company.



# SWIFT NETWORKS GROUP LIMITED AND CONTROLLED ENTITIES

## ABN: 54 006 222 395

### Note 7. Share based payments (continued)

#### 2018 Executive Incentive Plan

In December 2017 The Company approved the 2018 Executive Incentive Plan and issued Participation Offer for its Short-Term Incentive Plan (STIP). Long Term Incentive Plans (LTIPs) will be subject to board and shareholder approval at the time of the 2018 AGM. As per the rules of the STIP, awards may be paid in cash or Rights, or a combination of both, as determined at the discretion of the Board. For each participant the Company will select Key Performance Indicators (KPI's) by applying the following steps:

- Identifying broad assessment areas that a relevant to the participants
- Identifying Key Results Areas (KRA) (for example, EBITDA, strategic objectives, individual contribution)
- Selecting KPIs for each KRA

Performance goals are then set at three levels being Threshold, Target and Stretch.

#### Valuation

At 31 December 2017 the value of individual awards based on the Company's STIP have been calculated by an independent expert assessment as at reporting date and are summarised below:

Recipient	Threshold Award (\$)	Target Award (\$)	Stretch Award (\$)	Total
Xavier Kris	Exceeded	Exceeded	60,827	60,827
George Nicholls*	Exceeded	Exceeded	24,608	24,608
Other non-KMP	Exceeded	Exceeded	99,723	99,723
<b>Total</b>			<b>185,158</b>	<b>185,158</b>

The actual value of these awards will be determined by reference to the volume weighted price at which the Company's shares are traded on the ASX over the 10 trading days up to and including 30 June 2018.

\*George Nicholls was appointed as Chief Financial Officer on 1 July 2017 at which time he became a Key Management Personnel.

### Note 8. Subsequent events

There were no events subsequent to reporting date to disclose at the date of signing of this report.

### Note 9. Contingencies

There are no contingent assets or contingent liabilities as at 31 December 2017.

# SWIFT NETWORKS GROUP LIMITED AND CONTROLLED ENTITIES

## ABN: 54 006 222 395

### Note 10. Commitments

Dec-17	Jun-17
\$	\$

#### Operating lease commitments

The Group leases office premises under operating leases expiring in May 2018, June 2018 and December 2018.

Minimum commitments under the lease are as follows:

Not later than 1 year	229,472	420,691
Later than 1 year and not later than 2 years	-	-
Later than 2 years and not later than 5 years	-	-
	229,472	420,691

There are no other operating lease commitments.

### Note 11. Related Party

All transactions with related parties are recorded on an arms-length basis.

#### Transactions with other related parties

Dec-17	Jun-17
\$	\$

#### *Entities managed by Key management personnel*

Share based payments to KMP and Other non KMP - non cash	1,223,940	-
Share based payments to KMP and Other non KMP - cash settled	20,100*	
Total Share based payments	1,244,040	

\* Relates to Paul Doropoulos cash payment

#### Outstanding balance from transaction with related parties

Dec-17	Jun-17
\$	\$

#### *Entities managed by Key management personnel*

Share based payments outstanding	1,223,940	-
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**SWIFT NETWORKS GROUP LIMITED AND CONTROLLED ENTITIES**  
**ABN: 54 006 222 395**

**Note 12. Segment information**

	<b>Consolidated</b>	
	<b>Dec-17</b>	<b>Jun-17</b>
	<b>\$</b>	<b>\$</b>
Revenue from external sources	10,383,398	17,005,143
Reportable segment loss	(789,114)	(173,777)
Reportable segment assets	24,937,458	14,480,537
Reportable segment liabilities	(19,907,209)	(8,339,555)
 <b>Reconciliation of reportable segment loss</b>		
Reportable segment loss	(789,114)	(173,777)
Other revenue	15,277	12,521
Unallocated		
- Share based payments	(1,223,940)	(192,182)
- Fair value loss on financial liability	(6,020,833)	(1,929,167)
- Other	-	(83,350)
<b>Loss before tax</b>	<b>(8,018,610)</b>	<b>(2,365,955)</b>
 <b>Reconciliation of reportable segment assets</b>		
Reportable segment assets	24,937,458	14,480,537
- Cash	-	-
- Receivables	-	-
- Other assets	-	-
<b>Total assets</b>	<b>24,937,458</b>	<b>14,480,537</b>
 <b>Reconciliation of reportable segment liabilities</b>		
Reportable segment liabilities	(19,907,209)	(8,339,555)
Unallocated		
- Trade and other payables	-	-
<b>Total liabilities</b>	<b>(19,907,209)</b>	<b>(8,339,555)</b>

# SWIFT NETWORKS GROUP LIMITED AND CONTROLLED ENTITIES

## ABN: 54 006 222 395

### Directors' Declaration

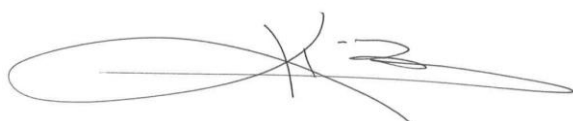
In accordance with a resolution of the directors of Swift Networks Group Limited, we state that in the opinion of the directors:

- (a) The financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:
  - i. Giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and its financial performance for the half year ended on that date, and
  - ii. Complying with the Australian Accounting Standards (including the Australian Accounting Interpretations), Corporate Regulations 2001, and other mandatory professional reporting requirements.
- (b) There are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.

On behalf of the Board



Mr Carl Clump  
Chairman  
26 February 2018



Mr Xavier Kris  
Director  
26 February 2018

## INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Swift Networks Group Limited

### Report on the Half-Year Financial Report

#### Conclusion

We have reviewed the half-year financial report of Swift Networks Group Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year then ended, and notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

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

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2017 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

#### Directors' responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

#### Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2017 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.



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

#### Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

BDO Audit (WA) Pty Ltd

A handwritten signature in blue ink, appearing to read 'Dean Just', is written over a faint, light blue BDO logo watermark.

Dean Just

Director

Perth, 26 February 2018