

ASX Announcement

Friday, 30 October 2020

TPG Telecom Pte Ltd Financial Statements for year ended 31 July 2020

TUAS Limited (ASX: TUA) attaches for release to the market the following document, in accordance with the conditions of TUA's admission to the Official List of ASX:

- the audited financial statements of TPG Telecom Pte Limited for the financial year ended 31 July 2020.

Authorised for release by:

Clare Craven
Company Secretary
TUAS Limited

Contact:

investor.relations@tuas.com.au



TPG Telecom Pte. Ltd.
Registration Number: 201617990D

Annual Report
Year ended 31 July 2020

For personal use only

Directors' statement

We are pleased to submit this annual report to the member of the Company together with the audited financial statements for the financial year ended 31 July 2020.

In our opinion:

- (a) the financial statements set out on pages FS1 to FS36 are drawn up so as to give a true and fair view of the financial position of the Company as at 31 July 2020 and the financial performance, changes in equity and cash flows of the Company for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

Directors

The directors in office at the date of this statement are as follows:

Frederick Ronald Rajkumar Masillamoni
David Teoh (Appointed on 13 July 2020)

Directors' interests

According to the register kept by the Company for the purposes of Section 164 of the Companies Act, Chapter 50 (the Act), particulars of interests of directors who held office at the end of the financial year (including those held by their spouses and infant children) in shares, debentures, warrants and share options in the Company and in related corporations are as follows:

Name of director and corporation in which interests are held	Holdings at beginning of the year	Holdings at end of the year
David Teoh TPG Telecom Pte Ltd is a wholly owned subsidiary of Tuas Limited Ordinary shares in Tuas Limited	—	165,795,573

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares, debentures, warrants or share options of the Company, or of related corporations, either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year.

Neither at the end of, nor at any time during the financial year, was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Share options

During the financial year, there were:


- (i) no options granted by the Company to any person to take up unissued shares in the Company; and
- (ii) no shares issued by virtue of any exercise of option to take up unissued shares of the Company.

As at the end of the financial year, there were no unissued shares of the Company under options.

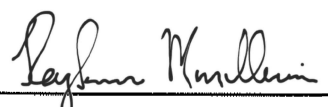
Auditors

The auditors, KPMG LLP, have indicated their willingness to accept re-appointment.

Signed by the Board of Directors



David Teoh
Director



Frederick Ronald Rajkumar Masillamoni
Director

27 October 2020



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Independent auditors' report

Member of the Company
TPG Telecom Pte. Ltd.

Report on the audit of the financial statements

Opinion

We have audited the financial statements of TPG Telecom Pte. Ltd. ('the Company'), which comprise the statement of financial position as at 31 July 2020, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages FS1 to FS36.

In our opinion, the accompanying financial statements are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 ('the Act') and Singapore Financial Reporting Standards ('FRSs') so as to give a true and fair view of the financial position of the Company as at 31 July 2020 and of the financial performance, changes in equity and cash flows of the Company for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing ('SSAs'). Our responsibilities under those standards are further described in the '*Auditors' responsibilities for the audit of the financial statements*' section of our report. We are independent of the Company in accordance with the Accounting and Corporate Regulatory Authority *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ('ACRA Code') together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information. Other information comprises the Directors' statement.

We have obtained the Directors' statement prior to the date of this auditors' report.

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



In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Company's financial reporting process.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls.




- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.


KPMG LLP
*Public Accountants and
Chartered Accountants*

Singapore
27 October 2020

**Statement of financial position
As at 31 July 2020**

	Note	2020 \$	2019 \$
Assets			
Property, plant and equipment	4	233,935,242	156,789,089
Intangible assets	5	133,059,849	133,732,506
Right of use assets	6	399,323	—
Investment in subsidiary	7	*	—
Deferred tax assets	8	3,909,494	587,011
Other receivables	9	624,148	616,420
Non-current assets		<u>371,928,056</u>	<u>291,725,026</u>
Trade and other receivables	9	4,047,044	2,430,728
Inventory		290,499	26,529
Cash and cash equivalents	10	55,206,859	851,398
Current assets		<u>59,544,402</u>	<u>3,308,655</u>
Total assets		<u>431,472,458</u>	<u>295,033,681</u>
Equity			
Share capital	11	437,552,176	1,000,000
Accumulated losses		(19,591,460)	(4,030,860)
Total equity		<u>417,960,716</u>	<u>(3,030,860)</u>
Liabilities			
Lease liabilities	13	60,459	—
Other payables	14	257,540	151,612
Non-current liabilities		<u>317,999</u>	<u>151,612</u>
Convertible notes	12	—	284,232,546
Lease liabilities	13	358,949	—
Trade and other payables	14	12,834,794	13,680,383
Current liabilities		<u>13,193,743</u>	<u>297,912,929</u>
Total liabilities		<u>13,511,742</u>	<u>298,064,541</u>
Total equity and liabilities		<u>431,472,458</u>	<u>295,033,681</u>

* Amount less than \$1

The accompanying notes form an integral part of these financial statements.

Statement of comprehensive income
Year ended 31 July 2020

	Note	2020 \$	2019 \$
Revenue	15	5,095,548	16,210
Network, carrier and hardware costs		(6,077,389)	—
Employee benefits expense		(3,101,650)	(1,164,624)
Depreciation		(7,071,681)	(186,545)
Amortisation of intangibles		(3,618,736)	(10,672)
Other expenses		(4,074,960)	(1,440,960)
Loss before tax	16	(18,848,868)	(2,786,591)
Tax income	17	3,316,666	275,694
Loss after tax and total comprehensive income for the year		(15,532,202)	(2,510,897)

The accompanying notes form an integral part of these financial statements.

Statement of changes in equity
Year ended 31 July 2020

	Note	Share capital \$	Accumulated losses \$	Total \$
At 1 August 2018		1,000,000	(1,519,963)	(519,963)
Total comprehensive income for the year				
Loss for the year		–	(2,510,897)	(2,510,897)
At 31 July 2019		<u>1,000,000</u>	<u>(4,030,860)</u>	<u>(3,030,860)</u>
At 1 August 2019		1,000,000	(4,030,860)	(3,030,860)
Adjustment on initial application of FRS 116, net of tax	2.5		(28,398)	(28,398)
Adjusted balance at 1 August 2019		<u>1,000,000</u>	<u>(4,059,258)</u>	<u>(3,059,258)</u>
Total comprehensive income for the year				
Loss for the year		–	(15,532,202)	(15,532,202)
Transactions with owners, recognised directly in equity				
Contributions by and distributions to owners				
Issued of new shares for conversion of convertible notes	12	436,552,176	–	436,552,176
Total transactions with owners		<u>436,552,176</u>	<u>–</u>	<u>436,552,176</u>
At 31 July 2020		<u>437,552,176</u>	<u>(19,591,460)</u>	<u>417,960,716</u>

The accompanying notes form an integral part of these financial statements.

Statement of cash flows
Year ended 31 July 2020

	Note	2020	2019
		\$	\$
Cash flows from operating activities			
Cash receipts from customers		5,560,567	—
Cash paid to suppliers and employees		(9,827,845)	(2,682,937)
Cash used in operating activities		(4,267,278)	(2,682,937)
Tax paid		—	—
Net cash used in operating activities		(4,267,278)	(2,682,937)
Cash flows from investing activities			
Acquisition of property, plant and equipment		(91,809,691)	(80,632,329)
Acquisition of intangible assets		(1,161,687)	(2,484,582)
Net cash used in investing activities		(92,971,378)	(83,116,911)
Cash flows from financing activities			
Proceeds from issue of convertible notes	12	152,319,630	69,997,366
Repayment of lease liabilities	12	(698,684)	—
Finance costs paid	12	(26,829)	—
Net cash from financing activities		151,594,117	69,997,366
Net increase/(decrease) in cash and cash equivalents		54,355,461	(15,802,482)
Cash and cash equivalents at beginning of the year		851,398	16,653,880
Cash and cash equivalents at end of the year		55,206,859	851,398

Cash flows from investing activities comprise amounts paid during the current financial year for property, plant and equipment and intangibles acquired in the current or prior financial years. Additions for property, plant and equipment and intangibles during the year amounted to \$83,533,280 (2019: \$82,815,242) (Note 4) and \$2,946,080 (2019: \$3,304,362) (Note 5) respectively. In the current financial year, an amount of \$92,971,378 (2019: \$83,116,911) was paid, with the remaining amounts included in trade and other payables.

Notes to the financial statements

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on [date of signing].

1

Domicile and activities

TPG Telecom Pte. Ltd. (the “Company”) is incorporated in the Republic of Singapore. The address of the Company’s registered office is 150 Beach Road, 07-05/08 Gateway West, Singapore 189720.

The Company is primarily involved in the construction and operation of a mobile cellular network.

The Company’s immediate and ultimate holding company up till 26 June 2020 was TPG Telecom Limited, a company incorporated in Australia.

On 30 August 2018, TPG Telecom Limited and Vodafone Hutchison Australia (“VHA”) entered into a Scheme Implementation Deed under which the companies agreed a proposed merger of equals to establish a fully integrated telecommunications operator in Australia. The merger was completed in June 2020. As part of the merger, TPG Telecom Limited was required to transfer its shares in the Company to a new holding company, whose shares will be distributed to the TPG Telecom Limited’s shareholders and listed on the Australian Securities Exchange (‘ASX’).

On 26 June 2020, the Company’s shares were transferred from TPG Telecom Limited to Tuas Limited, a company incorporated in Australia and the Company became a wholly-owned subsidiary of Tuas Limited, which is listed on the ASX.

2

Basis of preparation

2.1

Statement of compliance

The financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (“FRS”).

This is the first set of the Company’s annual financial statements in which FRS 116 *Leases* has been applied. The related changes to significant accounting policies are described in note 2.5.

2.2

Basis of measurement

The financial statements have been prepared on the historical cost basis.

2.3

Functional and presentation currency

These financial statements are presented in Singapore dollars, which is the Company’s functional currency. All financial information presented in Singapore dollars has been rounded to the nearest dollar, unless otherwise stated.

2.4 Use of estimates and judgements

The preparation of the financial statements in conformity with FRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There significant judgements made by management in applying the Company's accounting policies relate to:

- Commencement of depreciation

The Company determines that the network asset is considered completed and ready for use when it is technically ready for commercial paid services to be marketed. The assessment of when the asset is ready for its intended use affects when the depreciation of the asset commences, and the expense to be recognised in profit or loss.

- Calculation of lease liability under FRS 116

The Company has applied judgement to determine the lease term for certain lease contracts in which it is a lessee that include renewal options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and ROU assets recognised.

On 11 March 2020, the World Health Organisation declared the 2019 Novel Coronavirus ("COVID-19") outbreak a pandemic. The spread of COVID-19 has created a high level of uncertainty to the near-term global economic prospects and caused disruptions to various businesses. The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

- Impairment of plant and equipment and intangible assets

Impairment is recognised when events and circumstances indicate that the plant and equipment and intangible assets may be impaired and the carrying amounts of the plant and equipment and intangible assets exceed the recoverable amounts. Recoverable amount is defined as the higher of the assets' fair value less costs to sell and its value-in-use. When value-in-use calculations are undertaken, Management estimates the recoverable amount based on a discounted cash flow model. The cash flows are derived from the budget approved by the Management.

There is a risk of impairment in the Company's plant and equipment and intangible assets in light of the disruption from the outbreak of COVID-19. In determining the budget, the Company is required to make a number of judgements which focus on expected economic and market conditions.

- Deferred tax asset

Significant judgement is required in relation to the recognition and the assessment of recoverability of deferred tax assets relating to the unutilised tax losses of the Company. The Company assesses the recoverability of deferred tax assets against forecast income streams and reviews the carrying amount of deferred tax assets at each reporting date. A deferred tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. This involves judgement regarding the future financial performance of the Company for which the deferred tax asset has been recognised.

The Company is closely monitoring its financial performance and adjusting its market response in light of the disruptions from COVID-19.

2.5 Changes in accounting policies

New standards and amendments

On 1 August 2019, the Company has adopted all the new and revised FRSs and Interpretations to FRSs that are mandatory for application on that date. Other than FRS 116, the application of these amendments to standards and interpretations do not have a material effect on the financial statements.

FRS 116 *Leases*

The Company applied FRS 116 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 August 2019. Accordingly, the comparative information presented for 2019 is not restated – i.e. it is presented, as previously reported, under FRS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in FRS 116 have not generally been applied to comparative information.

Definition of a lease

Previously, the Company determined at contract inception whether an arrangement was or contained a lease under INT FRS 104 *Determining whether an Arrangement contains a Lease*. The Company now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in FRS 116.

On transition to FRS 116, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Company applied FRS 116 only to contracts that were previously identified as leases. Contracts that were not identified as leases under FRS 17 and INT FRS 104 were not reassessed for whether there is a lease under FRS 116. Therefore, the definition of a lease under FRS 116 was applied only to contracts entered into or changed on or after 1 August 2019.

As a lessee

As a lessee, the Company leases property. Under FRS 116, the Company recognises right-of-use assets and lease liabilities for most of these leases – i.e. these leases are on-balance sheet.

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price. However, for leases of property the Company has elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component.

Leases classified as operating leases under FRS 17

Previously, the Company classified property leases as operating leases under FRS 17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the respective lessee entities incremental borrowing rates applicable to the leases as at 1 August 2019. Right-of-use assets are measured at either:

- their carrying amount as if FRS 116 had been applied since the commencement date, discounted using the Company's incremental borrowing rate at the date of initial application: the Company applied this approach to its largest property lease; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments: the Company applied this approach to all other leases.

The Company has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

The Company used a number of practical expedients when applying FRS 116 to leases previously classified as operating leases under FRS 17. In particular, the Company:

- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognise right-of-use assets and liabilities for leases of low value assets;
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term.

Impact on financial statements

Impact on transition*

On transition to FRS 116, the Company recognised additional right-of-use assets and additional lease liabilities, recognising the difference in retained earnings. The impact on transition is summarised below.

	1 August 2019 \$
Right-of-use assets	1,083,877
Deferred tax asset	5,817
Lease liabilities	(1,118,092)
Retained earnings	<u>28,398</u>

* For the impact of FRS 116 on profit or loss for the period, see Note 6. For the details of accounting policies under FRS 116 and FRS 17, see Note 3.6.

When measuring lease liabilities for leases that were classified as operating leases, the Company discounted lease payments using its incremental borrowing rate at 1 August 2019. The weighted-average rate applied is 3.69%.

	1 August 2019 \$
Operating lease commitments at 31 July 2019 as disclosed under FRS 17 in the Company's financial statements	1,411,482
Discounted using the incremental borrowing rate at 1 August 2019	(30,637)
Non-lease components not recognised	(262,753)
Lease liabilities recognised at 1 August 2019	<u>1,118,092</u>

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, unless otherwise stated.

3.1 Consolidation

Consolidated financial statements

The Company is exempted from preparing consolidated financial statements as it is a wholly-owned subsidiary of a Australia incorporated parent company, Tuas Limited which prepares consolidated financial statements. Consolidated financial statements are available at the registered office of Level 12, 680 George St Sydney NSW 2000, Australia.

Subsidiaries

Subsidiaries are those entities controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Accounting for subsidiaries

Investment in subsidiaries are stated in the Company's statement of financial position at cost less accumulated impairment losses.

3.2 Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency at the foreign exchange rate ruling at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on translation are recognised in profit or loss.

3.3 Financial instruments

Recognition and initial measurement

Non-derivative financial instruments

Other receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit of loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Classification and subsequent measurement

Non-derivative financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income ("FVOCI") – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

The Company does not hold any financial assets other than those classified as being measured at amortised cost.

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets: Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

Non-derivative financial assets: Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Non-derivative financial assets: Subsequent measurement and gains and losses

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment losses are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Non-derivative financial assets: Subsequent measurement and gains and losses

Loans and receivables

Subsequent to initial recognition, loans and receivables were measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents, and other receivables.

Non-derivative financial liabilities: Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost.

The Company classifies non-derivative financial liabilities as other financial liabilities.

Other financial liabilities are initially measured at fair value less directly attributable transaction costs. They are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. These financial liabilities comprise convertible notes and trade and other payables.

Derecognition

Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits with maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments.

Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

3.4 Plant and equipment

Recognition and measurement

Items of plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes:

- the cost of materials and direct labour;
- any other costs directly attributable to bringing the assets to a working condition for their intended use; and
- when the Company has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of plant and equipment have different useful lives, they are accounted for as separate items (major components) of plant and equipment.

The gain or loss on disposal of an item of plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

Subsequent costs

The cost of replacing a component of an item of plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of plant and equipment are recognised in profit or loss as incurred.

Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised as an expense in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment, unless it is included in the carrying amount of another asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

Depreciation is recognised from the date that the plant and equipment is installed and ready for its intended use, or in respect of internally constructed assets, from the date that the asset is completed and ready for its intended use.

The estimated useful lives are as follows:

- Plant and equipment 3-10 years
- Office furniture and fittings 10 years

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

3.5

Intangible assets

Intangible assets with definite useful lives comprise the following:

Spectrum licences

Spectrum licences are stated at cost less accumulated amortisation and any accumulated impairment losses.

Other intangible assets

Other intangible assets comprise software licences. Other intangible assets are stated at cost less accumulated amortisation and any accumulated impairment losses.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

Amortisation

Amortisation is calculated based on the cost of the asset, less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The estimated useful lives for the current and comparative year are as follows:

- Spectrum licences - Amortised using the straight-line method over the licence term starting from the date the related network is ready for its intended use.
- Other intangible assets
 - Software - Amortised over the expected useful life

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

3.6 Leases

The Company has applied FRS 116 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under FRS 17 and INT FRS 104. The details of accounting policies under FRS 17 and INT FRS 104 are disclosed separately.

Policy applicable from 1 August 2019

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in FRS 116.

This policy is applied to contracts entered into, on or after 1 August 2019.

(i) As a lessee

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Leases - Policy applicable before 1 August 2019

For contracts entered into before 1 August 2019, the Company determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
 - the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
 - the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
 - facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

(i) As a lessee

In the comparative period, as a lessee the Company classified leases that transferred substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the Company's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

3.7 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale. Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

3.8 Impairment

(i) Non-derivative financial assets

The Company recognises loss allowances for Expected Credit Losses (ECL) on financial assets measured at amortised costs.

Loss allowances of the Company are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Simplified approach

The Company applies the simplified approach to provide for ECLs for other receivables. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECLs.

General approach

The Company applies the general approach to provide for ECLs on all other financial instruments. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECLs at initial recognition.

At each reporting date, the Company assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and includes forward-looking information.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

The Company considers a financial asset to be in default when the financial asset is more than 90 days past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs

ECLs are probability-weighted estimates of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECLs in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of these assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company’s procedures for recovery of amounts due.

(ii)

Non-financial assets

The carrying amounts of the Company’s non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The Company's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a *pro rata* basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

3.9 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

3.10 Revenue

Revenue is measured based on the consideration specified in a contract with a customer. The Company recognises revenue when it transfers control over a product or service to a customer.

The Company determines various performance obligations under a contract, allocates the total contract price amongst the performance obligations based on their standalone selling prices, and recognise revenue when the performance obligations are satisfied.

Performance obligations that arise from contracts with customers comprise of rendering of telecommunications services including provision of data, internet, voice, tele-housing, network capacity and other services. The Company recognises revenue as services are provide over time.

For information technology projects, revenue is recognised over time based on the cost-to-cost method, i.e. based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, while invoicing is typically based on milestones. A contract asset is recognised for work performed. Any amount previously recognised as a contract asset is transferred to trade receivable upon invoicing to the customer. If the milestone payment exceeds the revenue recognised to date, then the Company recognises a contract liability for the difference.

3.11 Tax

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

The Company has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under FRS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences on: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for the Company. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

3.12 New standards and interpretations not yet adopted

A number of new standards, interpretations and amendments to standards are effective for annual periods beginning after 1 August 2019 and earlier application is permitted; however, the Company has not early adopted the new or amended standards and interpretations in preparing these financial statements.

The following new FRSs, interpretations and amendments to FRSs are not expected to have a significant impact on the Company's financial statements.

- *Amendments to References to Conceptual Framework in FRS Standards*
- *Definition of a Business* (Amendments to FRS 103)
- *Definition of Material* (Amendments to FRS 1 and FRS 8)
- *FRS 117 Insurance Contracts*
- *Covid-19 Related Rent Concessions* (Amendments to FRS 116)
- *Classification of Liabilities as Current or Non-current* (Amendments to FRS 1)

4 Plant and equipment

	Plant and equipment \$	Office furniture and fittings \$	Under construction \$	Total \$
Cost				
At 31 July 2018	258,848	284,718	73,710,785	74,254,351
Additions	242,370	55,855	82,517,017	82,815,242
At 31 July 2019	501,218	340,573	156,227,802	157,069,593
Additions	36,364	30,924	83,465,992	83,533,280
Transfer	181,922,840	—	(181,922,840)	—
At 31 July 2020	182,460,422	371,497	57,770,954	240,602,873
Accumulated depreciation				
At 31 July 2018	(71,690)	(22,288)	—	(93,978)
Depreciation	(117,809)	(68,717)	—	(186,526)
At 31 July 2019	(189,499)	(91,005)	—	(280,504)
Depreciation	(6,313,235)	(73,892)	—	(6,387,127)
At 31 July 2020	(6,502,734)	(164,897)	—	(6,667,631)
Carrying amounts				
At 31 July 2018	187,158	262,430	73,710,785	74,160,373
At 31 July 2019	311,719	249,568	156,227,802	156,789,089
At 31 July 2020	175,957,688	206,600	57,770,954	233,935,242

The Company has started building its network assets since 2018 and included in this amount are costs directly attributable to the acquisition of the asset. The transfer from "Under construction" to "Plant and equipment" occurs when the network assets are considered ready-for-use.

5 Intangible assets

	Spectrum licences \$	Other intangibles \$	Work-in- progress \$	Total \$
Cost				
At 31 July 2018	–	16,612	130,422,545	130,439,157
Additions	–	51,115	3,253,247	3,304,362
At 31 July 2019	–	67,727	133,675,792	133,743,519
Additions	–	44,588	2,901,491	2,946,079
Transfer	130,181,409	4,908,644	(135,090,053)	–
At 31 July 2020	130,181,409	5,020,959	1,487,230	136,689,598
Accumulated amortisation				
At 31 July 2018	–	(341)	–	(341)
Amortisation	–	(10,672)	–	(10,672)
At 31 July 2019	–	(11,013)	–	(11,013)
Amortisation	(3,275,004)	(343,732)	–	(3,618,736)
At 31 July 2020	(3,275,004)	(354,745)	–	(3,629,749)
Carrying amounts				
At 31 July 2018	–	16,271	130,422,545	130,438,816
At 31 July 2019	–	56,714	133,675,792	133,732,506
At 31 July 2020	126,906,405	4,666,214	1,487,230	133,059,849

The Company has started investing in spectrum license since 2018 and included in this amount are costs directly attributable to the acquisition of the intangible asset. The transfer from “Work-in-progress” to “Spectrum license” occurs when the Spectrum license are considered ready-for-use.

6 Right-of-use assets

Leases as lessee (FRS 116)

The Company leases property. The leases typically run for a period of 3 years with no option to renew. Lease payments are renegotiated upon expiry. For certain leases, the Company is restricted from entering into any sub-lease arrangements.

The Company leases rooftop spaces for the placement of network equipment with contract terms of one to three years. These leases are short-term and/or leases of low-value items. The Company has elected not to recognise right-of-use assets and lease liabilities for these leases.

	Property \$
2020	
Balance at 1 August	1,083,877
Depreciation	(684,554)
Balance at 31 July	<u>399,323</u>

Amounts recognised in profit or loss

	\$
2020 – Leases under FRS 116	
Interest on lease liabilities	26,829
Expenses relating to short-term leases	604,222
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	<u>10,605</u>
2019 – Operating leases under FRS 17	
Operating lease expense	<u>891,462</u>

Amounts recognised in statement of cash flows

	2020
	\$
Total cash outflow for leases	<u>725,513</u>

7

Investment in subsidiary

	2020
	\$
Unquoted equity shares	<u>*</u>

* Amount less than \$1

Details of the subsidiary is as follows:

Name of subsidiary	Principal activities	Country of incorporation	Effective equity interest held	
			31 July 2020	31 July 2019
			%	%
Tuas Solutions Sdn. Bhd. ⁽¹⁾	Other information technology service activities	Malaysia	100	–

⁽¹⁾ Audited by KPMG Malaysia, a member firm of KPMG International.

On 13 May 2020, the Company incorporated the subsidiary, Tuas Solutions Sdn. Bhd. in Malaysia for RM1.

8 Deferred tax assets

There is no current income tax expense for the current financial year as the Company did not have any chargeable income.

Deferred tax assets are attributable to the following:

	2020 \$	2019 \$
Property, plant and equipment	247,903	47,686
FRS116 lease liabilities	9,231	—
Provisions	64,236	52,294
Tax benefit of unutilised losses carried forward	3,588,124	487,031
Deferred tax assets	<u>3,909,494</u>	<u>587,011</u>

Movements in deferred tax assets during the year are as follows:

	Balance as at 1 July 2018 \$	Recognised in profit or loss \$	Balance as at 31 July 2019 \$	Balance as at 1 Aug 2019* \$	Recognised in profit or loss \$	Balance as at 31 July 2020 \$
Property, plant and equipment	15,976	31,710	47,686	47,686	200,217	247,903
FRS116 lease liabilities	—	—	—	5,817	3,414	9,231
Provisions	66,788	(14,494)	52,294	52,294	11,942	64,236
Tax benefit of unutilised losses carried forward	228,553	258,478	487,031	487,031	3,101,093	3,588,124
	<u>311,317</u>	<u>275,694</u>	<u>587,011</u>	<u>592,828</u>	<u>3,316,666</u>	<u>3,909,494</u>

* The balance at 1 August 2019 includes the effect of initially applying FRS 116 (see note 2.5).

As at 31 July 2020, the Company has recognised deferred tax assets arising from unutilised tax losses of \$3,588,124 (2019: \$487,031) which are available for offset against future taxable income subject to compliance with the relevant provisions of the Singapore Income Tax Act and agreement with the Comptroller of Income Tax. The unutilised tax losses do not expire.

Management has reviewed the latest forecasts for the Company, including their ability to continue to generate taxable income over the next 4 years. Based on the current forecasts, the tax losses are expected to be fully utilised over the next 3 years. Any change in the future financial performance could have a significant effect on the utilisation of these tax losses, including the period over which the losses are utilised.

9 Trade and other receivables

	2020 \$	2019 \$
Non-current		
Deposit for rental premises	624,148	616,420
Current		
Trade debtors	1,197,214	—
Amount due from ultimate holding company (non-trade)	2,587	—
Amount due from subsidiary (non-trade)	79,699	—
Deposit for rental premises	—	59,294
GST receivable	930,695	1,905,988
Other debtors	115,990	112,972
Financial assets at amortised cost	2,326,185	2,078,254
Prepayments	1,720,859	352,474
	4,047,044	2,430,728

The non-trade amount due from ultimate holding company and subsidiary are unsecured, repayable on demand and interest free.

10 Cash and cash equivalents

	2020 \$	2019 \$
Cash at bank and in hand	55,206,859	851,398

11 Share capital

	2020		2019	
	Ordinary shares	\$	Ordinary shares	\$
In issue at 1 August	1,000,000	1,000,000	1,000,000	1,000,000
Conversion of convertible notes	436,552,176	436,552,176	—	—
In issue at 31 July	437,552,176	437,552,176	1,000,000	1,000,000

All issued shares are fully paid, with no par value.

Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

12 Convertible notes

	2020 \$	2019 \$
As at 1 August	284,232,546	214,235,180
Proceeds from issue of convertible notes	152,319,630	69,997,366
Converted into share capital	(436,552,176)	—
As at 31 July	—	284,232,546

- (a) During the current reporting period, the Company issued 152,319,630 (2019: 69,997,366) convertible notes to its former ultimate holding company - TPG Telecom Limited to secure funds for building its mobile network. These notes have a face value and issue price of \$1 each, with zero-interest and no designated maturity date (similar terms for the notes issued in 2019).

The rights, preferences, privileges and restrictions of the convertible notes are summarised as follows:

- Each convertible note is issued by the Company and may be converted into shares or be redeemed for cash;
- Each convertible note, at the option of the holder, is convertible into shares, subject to certain conversion ratios; and
- All payments to the holder under the terms of the Convertible Note Deed in respect of the convertible notes will rank pari passu amongst themselves and behind any creditor holding security over the assets of the Company.

Each convertible note is repayable on demand at the option of the holder and is therefore classified as a current liability.

- (b) On 26 June 2020, TPG Telecom Limited transferred 436,552,176 notes to its ultimate holding company, Tuas Limited. On the same day, Tuas Limited converted 436,552,176 notes into shares of the Company.

(c) Reconciliation of movement of liabilities to cash flows arising from financing activities:

	Note	Liabilities		Total \$
		Lease liabilities \$	Convertible notes \$	
Balance at 1 August 2018		–	214,235,180	214,235,180
Changes from financing cash flows				
Proceeds from issue of convertible notes	12	–	69,997,366	69,997,366
Total changes from financing cash flows		–	69,997,366	69,997,366
Balance at 31 July 2019		–	284,232,546	284,232,546
Balance at 1 August 2019*		1,118,092	284,232,546	285,350,638
Changes from financing cash flows				
Proceeds from issue of convertible notes	12	–	152,319,630	152,319,630
Repayment of lease liabilities	6	(698,684)	–	(698,684)
Finance costs paid	6	(26,829)	–	(26,829)
Total changes from financing cash flows		(725,513)	152,319,630	151,594,117
Non-cash items				
Converted into share capital		–	(436,552,176)	(436,552,176)
Finance cost		26,829	–	26,829
Total other changes		26,829	(436,552,176)	(436,525,347)
Balance at 31 July 2020		419,408	–	419,408

* The balance at 1 August 2019 includes the effect of initially applying FRS 116 (see note 2.5).

13 Lease liabilities

	2020 \$
Lease liabilities included in the statement of financial position at 31 July	
Current	358,949
Non-current	60,459
	<u>419,408</u>

The weighted average incremental borrowing rate applied to lease liabilities recognised in the statement of financial position at the date of initial application is 3.69%. The Company leases property. The lease typically runs for 3 years with no option to renew.

14 Trade and other payables

	2020 \$	2019 \$
Non-current		
Other creditors	105,928	–
Provision for reinstatement costs	151,612	151,612
	<u>257,540</u>	<u>151,612</u>
Current		
Trade payables	8,485,259	13,315,378
Employee benefits	556,495	307,610
Deferred revenue	1,367,188	–
Accrued expenses	2,425,852	57,395
	<u>12,834,794</u>	<u>13,680,383</u>

15 Revenue

	2020 \$	2019 \$
Mobile revenue	2,209,840	16,210
Project revenue	2,710,856	–
Others	174,852	–
	<u>5,095,548</u>	<u>16,210</u>

The following provide information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies:

Mobile revenue

Mobile revenue includes subscription fees for local and roaming voice call, short message service (“sms”), data and interconnect charges. Revenue are recognised over time when service are rendered.

Payment from customers is made on or before commencement of subscription plan except for interconnect charges where a 30-day payment term is given to customers.

Project revenue

Revenue derived from technologies and system solution projects are recognised, when, or as, performance obligations are satisfied through the transfer of control of a good or service to the customer. For a performance obligation satisfied over time, the Company adopts the cost-to-cost method, i.e. based on the proportion of contract costs incurred for work performed to date relative to the estimated total contracts costs, to recognise the revenue.

Invoicing is based on a series of performance related milestones. When a milestone is reached, the customer will provide the Company with a statement to certify the progress. At this point, any amount previously recognised as a contract asset will be reclassified to trade receivables upon invoicing to the customer. If the milestone payment exceeds the revenue recognised to date, then the Company recognises a contract liability for the difference.

Payment terms for these contracts are based on payment milestones over the duration of the contract where a 30-day payment term is given to customers.

16 Loss before tax

The following items have been included in arriving at the loss before tax:

	Note	2020 \$	2019 \$
Depreciation and amortisation expenses	4,5,6	(10,690,417)	(197,198)
Expenses relating to short-term leases and low-value assets (2019: Operating lease expense)		<u>(614,827)</u>	<u>(891,462)</u>
Employee benefits expense:			
- Salaries, bonuses and other costs		(2,790,209)	(1,035,192)
- Contributions to defined contribution plans		<u>(311,441)</u>	<u>(129,432)</u>
		<u>(3,101,650)</u>	<u>(1,164,624)</u>

17 Tax income

Tax recognised in profit or loss

	Note	2020 \$	2019 \$
Current tax expense			
Current year		<u>—</u>	<u>—</u>
Deferred tax income			
Under-provision in prior year		68,515	198,026
Origination and reversal of temporary differences	8	<u>(3,385,181)</u>	<u>(473,720)</u>
Tax income		<u>(3,316,666)</u>	<u>(275,694)</u>

	2020 \$	2019 \$
Reconciliation of effective tax rate		
Loss before tax	(18,848,868)	(2,786,591)
Tax using Singapore tax rate of 17% (2019: 17%)	(3,204,308)	(473,720)
Tax exempt revenue	(61,428)	–
Under-provision of deferred tax expense in the prior year	68,515	198,026
Others	(119,445)	–
	<u>(3,316,666)</u>	<u>(275,694)</u>

18 Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	2019 \$
Within one year	891,462
Between one and five years	520,020
	<u>1,411,482</u>

19 Commitments

As at 31 July 2020, the Company has capital expenditure commitments of \$36,355,896 (2019: \$19,131,123). These commitments are expected to be settled within one year.

20 Related parties

Transactions with key management personnel

Key management personnel compensation comprised:

	2020 \$	2019 \$
Short-term employee benefits	1,415,892	731,000
Post-employment benefits (including CPF)	41,370	16,425

Key management personnel and director transactions

During the year the Company purchased computers and office equipment from an entity related to a director of the Company, Mr Rajkumar Masillamoni. The total purchase for the year was \$35,122 (2019: \$105,542).

Other than disclosed elsewhere in the financial statements, there are no additional transactions with related parties.

21 Financial instruments

Financial risk management

Overview

The Company has exposure to the following risks arising from financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. Management is responsible for developing and monitoring the Company's risk management policies. Management reports regularly to the Board of Directors on its activities.

The Company's risk management policies are in the progress of being established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems will be reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Credit risk

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure from those assets. At the reporting date, the Company's maximum exposure to credit risk was:

	2020 \$	2019 \$
Trade and other receivables*	1,395,490	112,972
Deposit for rental premises	624,148	675,714
Cash and cash equivalents	55,206,859	851,398
	<u>57,226,497</u>	<u>1,699,378</u>

* *Excluding GST receivables and prepayments*

A summary of the exposure to credit risk for trade and other receivables (excluding GST receivables and prepayments) are as follows:

	2020		2019	
	Not credit- impaired \$	Credit- impaired \$	Not credit- impaired \$	Credit- impaired \$
Less than 30 days	1,351,332	—	112,972	—
30 days to 60 days	4,783	—	—	—
61 days to 90 days	6,484	—	—	—
More than 90 days	32,891	—	—	—
	<u>1,395,490</u>	<u>—</u>	<u>112,972</u>	<u>—</u>

Cash and cash equivalents

The cash and cash equivalents are held with bank and financial institution counterparties which are of reputable credit ratings. Impairment on cash and cash equivalents has been measured on the 12-month expected loss basis and reflect the short maturities of the exposure. The Company considers that its cash and cash equivalents have low credit risk based on external credit ratings of the counterparties. The amount of the allowance on cash and cash equivalents is insignificant.

Deposits for rental premises

Deposits for rental premises are short and long term in nature. Based on the assessment of qualitative and quantitative factors, that are indicative of the risk of default (including, but not limited to external ratings, audited financial statements, management accounts and cash flow projections, press information, if available), these exposures are considered to have low credit risk. The Company considers these receivables to have low credit risk and the amount of the allowance to be insignificant.

Liquidity risk

Risk management policy

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities due to shortage of funds. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company ensures that it has sufficient cash on demand to meet expected operation expenses including the servicing of financial obligations.

Exposure to liquidity risk

The following are the expected contractual undiscounted cash outflows of financial liabilities, including interest payments and excluding the impact of netting agreements:

	Contractual cash flows \$	Within 1 year \$	Between 1-5 years \$	Carrying amount \$
31 July 2020				
Non-derivative financial liabilities				
Trade and other payables	(13,092,334)	(12,834,794)	(257,540)	(13,092,334)
Lease liabilities	(520,020)	(520,020)	–	(419,408)
	<u>(13,612,354)</u>	<u>(13,354,814)</u>	<u>(257,540)</u>	<u>(13,511,742)</u>
31 July 2019				
Non-derivative financial liabilities				
Convertible notes	(284,232,546)	(284,232,546)	–	(284,232,546)
Trade and other payables	(13,831,995)	(13,680,383)	(151,612)	(13,831,995)
	<u>(298,064,541)</u>	<u>(297,912,929)</u>	<u>(151,612)</u>	<u>(298,064,541)</u>

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising returns.

Currency risk

Risk management policy

The Company is exposed to currency risk on purchases and inter-company balances, that are denominated in a currency other than the Company's functional currency, the Singapore dollar (SGD). These other currencies are primarily USD and AUD. The Company does not have significant exposure to currency risk as the purchases and inter-company balances denominated in other currencies is not significant.

Interest rate risk

Risk management policy

The Company adopts a policy of ensuring an optimal balance between its fixed rate and floating rate borrowings to manage its interest rate risk exposure.

Exposure to interest rate risk

At the reporting date, the interest rate profile of the interest-bearing financial instruments was:

	Nominal amount	
	2020	2019
	\$	\$
Variable rate instruments		
Financial assets	55,206,859	851,398

The Company's exposure to market risk for changes in interest rates relates primarily to the Company's interest income from cash at bank.

Fair value sensitivity analysis for fixed rate instruments

As at 31 July 2020, the Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, in respect of the fixed rate instruments, a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at reporting date would have increased/(decreased) equity or profit or loss based on the balance of its variable rate instruments as at 31 July 2020, of \$552,069 (2019: \$8,514). This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

Accounting classifications and fair values

Fair value versus carrying amounts

	Note	Financial assets at amortised cost \$	Financial liabilities at amortised cost \$	Total carrying amount \$	Fair value \$
31 July 2020					
Assets					
Trade and other receivables*	9	2,950,333	–	2,950,333	2,950,333
Cash and cash equivalents	10	55,206,859	–	55,206,859	55,206,859
		<u>58,157,192</u>	<u>–</u>	<u>58,157,192</u>	<u>58,157,192</u>
Liabilities					
Trade and other payables	14	–	(13,092,334)	(13,092,334)	(13,092,334)
		<u>–</u>	<u>(13,092,334)</u>	<u>(13,092,334)</u>	<u>(13,092,334)</u>
31 July 2019					
Assets					
Trade and other receivables*	9	2,694,674	–	2,694,674	2,694,674
Cash and cash equivalents	10	851,398	–	851,398	851,398
		<u>3,546,072</u>	<u>–</u>	<u>3,546,072</u>	<u>3,546,072</u>
Liabilities					
Trade and other payables	14	–	(13,831,995)	(13,831,995)	(13,831,995)
Convertible notes	12	–	(284,232,546)	(284,232,546)	(284,232,546)
		<u>–</u>	<u>(298,064,541)</u>	<u>(298,064,541)</u>	<u>(298,064,541)</u>

* Excluding prepayments

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of total equity. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders.

The Company is not subject to externally imposed capital requirements.