Superloop Limited
ABN 96 169 263 094
Appendix 4D
Half Year Financial Report

Results for announcement to the market

For the half-year ended 31 December 2018
(Previous corresponding period to 31 December 2017)

Summary of Financial Information

	31 Dec 2018 $	31 Dec 2017* $	Change $	Change %
Revenue from ordinary activities	60,325	51,254	9,071	18%
Profit / (Loss) from ordinary activities after income tax for the period attributable to members	(8,731)	(1,781)	(6,950)	(390)%
Profit / (Loss) after income tax attributable to members	(8,731)	(1,781)	(6,950)	(390)%
Earnings before Interest, Foreign Exchange Losses, Tax, Depreciation & Amortisation (EBITDA)	4,509	7,541	(3,032)	(40)%

Explanation of profit/(loss) from ordinary activities after tax

The group generated a net loss after tax of $(8.7) million for the period, versus a net loss after tax of $(1.8) million for the previous corresponding period. Earnings before Interest, Foreign Exchange Losses, Tax, Depreciation and Amortisation (EBITDA) was $4.5 million versus $7.5 million for the previous corresponding period. The result reflects the contribution from NuSkope Pty Ltd, GX2 Holdings and SkyMesh fixed line customer base for the period from 1 July 2018 to 31 December 2018 while the previous corresponding period included a contribution from 13 October 2017 (NuSkope) and 17th November 2017 (GX2 Holdings) respectively.

Explanation of revenue

Superloop's revenue from ordinary activities for the period ended 31 December 2018 was $60.3 million, up $9.1 million (18%) from the previous corresponding period, applying the new revenue recognition accounting standard (AASB15) in full retrospectively (see restatement note 3).

Superloop's revenue is generated from three operating segments:

i) Connectivity (formerly labelled 'Superloop'), which includes revenue generated from the group's metro fibre networks in Singapore, Hong Kong, Australia, a fixed wireless network in Australia, and revenues related to the development of the INDIGO subsea cable network.

ii) Broadband (formerly labelled 'Superbb') which includes revenues generated from Superloop WiFi for resorts & student accommodation (formerly branded as GX2 and BCB) and from Superloop Home Broadband (including NBN customer base purchased in June 2018 from SkyMesh and Fixed Wireless customer base in South Australia from the NuSkope acquisition in October 2017).

iii) Services (formerly labelled 'Superloop+') which includes Cloud & managed services and security products (including CyberHound).

Connectivity Revenue grew to $25.2 million for the period versus $23.6m (+7%) in the previous corresponding period, Broadband Revenue grew to $20.3 million for the period versus $9.8 million for the previous corresponding period (+107%), and Services Revenue declined to $14.1 million for the period versus $18.0 million for the previous corresponding period, driven by lower equipment & software re-selling and reflecting the group's strategic focus on leveraging our network differentiators in networks versus IT services.

Dividends

No dividend has been proposed or declared in respect of the period ended 31 December 2018.

NTA Backing

	31 Dec 2018	31 Dec 2017*
Net tangible asset backing per ordinary share	$0.45	$0.49

The number of Superloop shares on issue at 31 December 2018 was 228,596,543 (31 December 2017: 228,486,312).

*The 31 December 2017 figures have been restated for the impact of AASB 15 Revenue from Contracts with Customers, refer to note 3 for further detail.

Additional Information

Additional Appendix 4D Disclosures can be found in the attached Financial Report which has been reviewed by the Group's auditors.

SUPERLOOP LIMITED

ABN 96 169 263 094

CONDENSED CONSOLIDATED HALF YEAR FINANCIAL REPORT

For the period ended 31 December 2018

CONTENTS

Directors' Report

The Directors present their report on the consolidated entity (referred to hereafter as 'Superloop' or 'the Group') consisting of Superloop Limited and the entities it controlled at the end of, or during, the half year ended 31 December 2018.

Directors

The following persons were directors of the Group during the period:

- ➢ Michael Malone
- ➢ Bevan Slattery
- ➢ Greg Baynton
- ➢ Louise Bolger - resigned 23 November 2018
- ➢ Richard (Tony) Clark
- ➢ Jason Ashton - resigned 30 September 2018
- ➢ Vivian Stewart
- ➢ Matthew Hollis - resigned 23 November 2018
- ➢ Drew Kelton - appointed 23 November 2018

Financial and Operating Review

Superloop's vision is to be the most trusted enabler of connectivity and managed networks in Asia Pacific. During the period, the Group expanded its coverage and capabilities with the strategic acquisition of SkyMesh NBN customers and continued to expand its fibre optic and fixed wireless networks in Australia, Singapore and Hong Kong. The following is based on the change of accounting standards to AASB15:

Revenue of $60.3 million grew $9.1 million (18%) compared to the previous corresponding period. Profit after direct costs for the period was $29.0 million, up from $26.4 million for the previous corresponding period. Direct costs of $30.6 million are up $7.0 million and includes full half recognition from acquisitions in Skymesh, Nuskope and GX2.

Operating expenses for the period were $25.2 million a growth of $5.1 million from the prior corresponding period. Employee costs grew $3.3 million now reflecting full half recognition from acquisitions in Nuskope and GX2. The Group made a Net Loss after Tax of $8.7 million and earnings before interest-paid, foreign exchange losses, tax, depreciation and amortisation (EBITDA) of $4.5 million.

As at 31 December 2018, the Group held $8.0 million in cash and cash equivalents. The Group has access to a revolving debt facility of $120.0 million, with $90.2 million of the facility utilised at balance date subject to meeting covenants. The $120 million debt facility was refinanced for three years which is an increase of $40 million, the facility matures in October 2021. The Group continued to invest into its network assets with property, plant and equipment additions of $37.3m in the period.

As at 31 December 2018, the Group held intangible assets of $277.2 million including intangible assets arising from the acquisitions of APEXN Pty Ltd, CINENET Systems Pty Ltd, BigAir Group Limited, SubPartners Pty Ltd, NuSkope Pty Ltd and GX2 Holdings Pty Ltd.

During the period, Superloop:

➢ reached 77 out of 121 NBN points of interconnect with our NBN backhaul network and integrated the NBN B2B/API system for customer onboarding,

➢ Completed the final splice on the INDIGO subsea telecommunications cable systems connecting Singapore, Jakarta, Perth and Sydney,

➢ Refinanced the debt facility for three years increasing from $80 million to $120 million; to provide funding support for further customer-led network expansion, possible strategic acquisitions and balance sheet flexibility for future strategic growth opportunities,

➢ The fibre network is now 758 km with 315 km in Australia, 242 km in Hong Kong and 201 km in Singapore. Total buildings connected is 275 with 187 Australia, 29 in Hong Kong and 59 in Singapore, including through indefeasible rights to use.

Dividends

No dividend has been declared for the period

Rounding of amounts

The Group is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the half year financial report have been rounded off in accordance with that Class Order to the nearest whole dollars.

AUDITOR'S 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.

The report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors

Drew Kelton
Chief Executive Officer

Brisbane
25 February 2019

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060
Level 23, Riverside Centre
123 Eagle Street
Brisbane, QLD, 4000
Australia

Phone: +61 7 3308 7000
www.deloitte.com.au

The Board of Directors
Superloop Limited
Level 17, 333 Ann Street
Brisbane QLD 4006

25 February 2019

Dear Board Members

Superloop Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Superloop Limited.

As lead audit partner for the review of the financial statements of Superloop Limited for the half-year ended 31 December 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

DELOITTE TOUCHE TOHMATSU

Stephen Tarling
Partner
Chartered Accountants

Condensed Interim Financial Report

31 December 2018

These financial statements are the condensed consolidated financial statements of the consolidated entity consisting of Superloop Limited (ABN 96 169 263 094) and its subsidiaries.

Superloop Limited is a company limited by shares, incorporated and domiciled in Australia. These financial statements are presented in Australian dollars.

Superloop's registered office is Level 17, 333 Ann Street, Brisbane, QLD, 4000.

A description of the nature of the consolidated entity's operations is included in the Directors' Report on page 5, which is not part of these financial statements.

The financial statements were authorised for issue by the Directors on 25 February 2019. The Directors have the power to amend and reissue the financial statements.

	Page
Contents	

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half-year ended 31 December 2018

	Note	31 Dec 2018 $'000	31 Dec 2017 *Restated $'000
REVENUE FROM CONTINUING OPERATIONS			
Revenue	4	59,568	50,129
Direct costs		(30,567)	(23,638)
Profit after direct costs		**29,001**	**26,491**
OTHER REVENUE			
Interest income		12	22
Other income		745	1,103
Total other revenue	**4**	**757**	**1,125**
OPERATING EXPENSES			
Employee benefits expense		(16,989)	(13,641)
Professional fees		(1,670)	(1,741)
Marketing costs		(1,144)	(827)
Office and administrative expenses		(5,446)	(3,866)
Total operating expenses		**(25,249)**	**(20,075)**
Earnings before interest-paid, tax, depreciation, amortisation and foreign exchange gains/losses (EBITDA)		**4,509**	**7,541**
Depreciation and amortisation expense	5,6	(13,736)	(9,709)
Finance costs		(2,104)	(1,145)
Share of associates profit (loss)		(68)	-
Foreign exchange gains / (losses)		(410)	(369)
Loss before income tax		**(11,809)**	**(3,682)**
Income tax benefit / (expense)		3,078	1,901
Loss for the period after tax		**(8,731)**	**(1,781)**
Other comprehensive income, net of income tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		6,116	(645)
Fair value gain / (loss) on hedging transactions entered into the cash flow hedge reserve		381	(154)
Total other comprehensive income, net of income tax		6,497	(799)
Total comprehensive profit / (loss) for the period		(2,234)	(2,580)
Loss for the year attributable to:			
> Owners of Superloop Limited		(8,731)	(1,781)
		(8,731)	(1,781)
Total comprehensive profit / (loss) for the period:			
Attributable to:			
> Owners of Superloop Limited		(2,234)	(2,580)
		(2,234)	(2,580)

	Note	Cents	Cents
Loss per share attributable to the ordinary equity holders of the Group:			
Basic loss per share	10	(3.82)	(0.82)
Diluted loss per share	10	(3.81)	(0.82)

Notes to the condensed consolidated financial statements form part of the half-year financial report.
Please refer to Note 3 AASB 15 Restatement for further information

Condensed Consolidated Statement of Financial Position

As at 31 December 2018

	Note	31 Dec 2018 $'000	30 June 2018(1) *Restated $'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		7,954	15,437
Trade and other receivables		19,983	11,120
Current tax assets		1,518	1,518
Derivative financial asset		120	88
Other current assets		8,038	6,930
Total current assets		**37,613**	**35,093**
NON-CURRENT ASSETS			
Property, plant and equipment	5	217,922	182,127
Intangible assets	6	277,231	280,669
Other non-current assets		347	3,828
Investment in associate		9,926	9,994
Deferred tax assets		2,526	2,354
Total non-current assets		**507,952**	**478,972**
TOTAL ASSETS		**545,565**	**514,065**
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		33,322	26,089
Provisions		2,724	2,813
Interest-bearing borrowings	7	1,099	-
Deferred revenue		2,284	6,463
Deferred consideration		3,591	5,715
Derivative financial liabilities		11	429
Total current liabilities		**43,031**	**41,509**
NON-CURRENT LIABILITIES			
Provisions		2,570	2,549
Deferred revenue		20,055	18,245
Interest-bearing borrowings	7	95,522	62,779
Deferred tax liabilities		4,747	7,172
Total non-current liabilities		**122,894**	**90,745**
TOTAL LIABILITIES		**165,925**	**132,254**
NET ASSETS		**379,640**	**381,811**
EQUITY			
Contributed equity	8	396,127	395,911
Reserves		6,578	234
Other equity		(3,327)	(3,327)
Accumulated losses		(19,738)	(11,007)
TOTAL EQUITY		**379,640**	**381,811**

Notes to the condensed consolidated financial statements form part of the half-year financial report.
Please refer to Note 3 AASB 15 Restatement for further information

(1) Comparative information has been adjusted retrospectively to reflect the fair value adjustments as disclosed in Note 12.

Condensed Consolidated Statement of Changes in Equity

For the half-year ended 31 December 2018

	Note	Contributed equity $'000	Reserves $'000	Other equity $'000	Accumulated losses $'000	Total equity $'000
Balance at 30 June 2018		**395,911**	**234**	**(3,327)**	**(11,007)**	**381,811**
Loss for the period		-	-	-	(8,731)	**(8,731)**
Other comprehensive income for the period		-	6,497	-	-	**6,497**
Total comprehensive income for the period		**-**	**6,497**	-	**(8,731)**	**(2,234)**
Dividend paid		-	-	-	-	**-**
Share based payments		-	72	-	-	**72**
Issue of ordinary share capital	8	225	(225)	-	-	**-**
Share issue costs	8	(9)	-	-	-	**(9)**
Balance at 31 December 2018		**396,127**	**6,578**	**(3,327)**	**(19,738)**	**379,640**

*Restated	Note	Contributed equity $'000	Reserves $'000	Other equity $'000	Accumulated losses $'000	Total equity $'000
Balance at 30 June 2017		**351,290**	**(4,893)**	**(3,327)**	**(11,762)**	**331,308**
Loss for the period		-	-	-	(1,781)	**(1,781)**
Other comprehensive income for the period		-	(799)	-	-	**(799)**
Total comprehensive income for the period		**-**	**(799)**	**-**	**(1,781)**	**(2,580)**
Dividend paid		-	-	-	(1,050)	**(1,050)**
Share based payments		-	219	-	-	**219**
Issue of ordinary share capital		45,264	(178)	-	-	**45,086**
Share issue costs		(680)	-	-	-	**(680)**
Balance at 31 December 2017		**395,874**	**(5,651)**	**(3,327)**	**(14,593)**	**372,303**

Notes to the condensed consolidated financial statements form part of the half-year financial report.

Condensed Consolidated Statement of Cash Flows

For the half-year ended 31 December 2018

	Note	31 Dec 2018 $'000	31 Dec 2017 $'000
OPERATING ACTIVITIES			
Receipts from customers		50,330	50,478
Payments to suppliers and employees		(48,317)	(43,973)
Income taxes received / (paid)		(56)	(238)
Net cash inflow / (outflow) from operating activities		**1,957**	**6,267**
INVESTING ACTIVITIES			
Interest received		13	22
Payments for property, plant and equipment		(30,428)	(17,471)
Payments for other non-current assets		(1,964)	(4,007)
Payments for intangible assets		-	(396)
Proceeds received for sale of intangible assets		163	-
Net cash outflow on acquisition of subsidiaries	12	-	(12,355)
Transaction costs associated with acquisitions		-	(204)
Deferred consideration payments		(2,125)	(1,011)
Net cash inflow / (outflow) from investing activities		**(34,341)**	**(35,422)**
FINANCING ACTIVITIES			
Proceeds from issues of shares	8	-	35,000
Transaction costs paid in relation to issue of shares		9	(1,113)
Dividends paid		-	(1,050)
Proceeds from borrowings (net of fees)		27,404	18,000
Repayment of borrowings		-	(20,300)
Interest paid		(2,102)	(1,060)
Net cash inflow from financing activities		**25,311**	**29,477**
Net increase / (decrease) in cash and cash equivalents		(7,073)	322
Cash and cash equivalents at the beginning of the period		15,437	7,105
Foreign exchange movement in cash		(410)	(1,015)
Cash and cash equivalents at the end of the period		**7,954**	**6,412**

Notes to the condensed consolidated financial statements form part of the half-year financial report.

Notes to the Condensed Interim Consolidated Financial Report

1 Significant accounting policies

These general purpose financial statements for the half-year reporting period ended 31 December 2018 have been prepared in accordance with Australian Accounting Standard AASB134 'Interim Financial Reporting' and the Corporations Act 2001. The financial statements are for the consolidated entity consisting of Superloop Limited and its subsidiaries (together referred to as 'Superloop' or the 'Group'). Superloop is a public company limited by shares, incorporated and domiciled in Australia.

These condensed financial statements do not include all the notes normally included in the annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2018 and any public announcements made by Superloop during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year ended 30 June 2018, except for those accounting policies affected by the adoption of AASB 15 *Revenue from Contracts with Customers* and AASB 9 *Financial Instruments*. These accounting policies are consistent with the Australian Accounting Standards and with International Financial Reporting Standards. Superloop has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for the current half year.

Superloop has not elected to early adopt any new Accounting Standards or Interpretations that have been announced but are not yet effective.

1.1 Application of new and revised accounting standards

1.1.1 AASB 15: Revenue from Contracts with Customers

AASB 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The core principle of AASB 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Under AASB 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

The standard is applicable to annual reporting periods beginning on or after 1 January 2018 and accordingly the group has applied this standard from 1 July 2018. The group has adopted AASB 15 using the fully retrospective approach and has restated comparative information.

<u>Impact of adopting AASB 15</u>

The only material impact on Superloop resulting from the adoption of AASB 15 relates to long term capacity arrangements.

Under Superloop's previous accounting policy, revenue from long term capacity arrangements was recognised in line with the delivery of the services, based on the stage of completion (the percentage of completion method using the proportion of costs incurred to date compared to the estimated total costs). This has historically resulted in a larger proportion of the revenue being recognised during the early stages of the contract in line with the work performed.

On application of AASB 15, revenue from long term capacity arrangements (including rights-of-use ('IRU') agreements) are recognised over the term that the fibre core capacity is to be provided to the customer. IRU agreements generally require the customer to make payment upon the execution of the agreement. In these cases the group receives most or all of the transaction price at the inception of the contract, resulting in a contract liability (deferred revenue) being recognised upfront and amortised over the contract term.

The adoption of AASB 15 did not have a material impact on any of the other revenue streams. The quantitative impact of the adoption of AASB 15 has been outlined in note 3.

<u>New Accounting policies under AASB 15</u>

Superloop earns revenue from contracts with customers primarily through the provision of telecommunications and other related offerings. Superloop records revenue from contracts with customers over time or at a point in time on the delivery of the promised goods or services to the customer in an amount that reflect the consideration to which the entity expects to be entitled in exchange for those goods or services.

Long-term capacity arrangements
Long term capacity arrangements (including rights-of-use ('IRU') agreements) provide customers exclusive access to fibre core capacity over an agreed contract term. These arrangements include the initial provisioning of the fibres, ongoing availability of capacity and maintenance of the infrastructure over the contract term which form part of an integrated service to the customer and is considered to be a single performance obligation. The transaction price is generally fixed, net of any upfront discounts given. The customer receives and consumes the benefit of the service simultaneously and revenue is recognised over time, as the service is performed.

IRU agreements generally require the customer to make payment upon the execution of the agreement. In these cases the group receives most or all of the transaction price at the inception of the contract, resulting in a contract liability being recognised upfront and amortised over the contract term. Contract liabilities are presented in the group's consolidated statement of financial position as deferred revenue.

At inception of each IRU contract, in determining the transaction price, Superloop gives consideration to whether the timing of payments agreed to by the parties to the contract provides the customer or the entity with a significant benefit of financing the transfer of goods or services to the customer. Factors considered takes into account the difference, if any, between the amount of promised consideration and the cash selling price of the promised goods or services, and the combined effect of the expected length of time between when Superloop transfers the promised goods or services to the customer and when the customer pays for those goods or services and the prevailing interest rates in the relevant market. If a significant financing component is deemed to exist, the transaction price is adjusted for the effects of the time, value of money and for revenue to be recognised at an amount that reflects the price that a customer would have paid if the customer had paid cash for the goods or services when (or as) they transfer to the customer (i.e. the cash selling price).

When the period between transferring a good or service and the customer paying for it will be one year or less, Superloop will adopt the practical expedient available in AASB 15 not to adjust the consideration for the effects of a significant financing component and applies this policy consistently to contracts with similar characteristics and in similar circumstances.

During the current period, no contracts existed with a significant financing component.

The revenue in relation to long term capacity arrangements and IRU's are all recognised within the Superloop Connectivity segment.

Services
Superloop provides a range of tailored services to customers. Revenue associated with these arrangements is recognised over time as the services are performed.

Hardware and software sales
Superloop sells certain hardware and software product to customers, including installation services as an integrated offering with the respective hardware or software products. Revenue in relation to hardware is recognised on delivery at the point in time when the customer obtains control of the goods. Software products are provided to the customer on-premises with a right to use the software as it exists when made available to the customer, generally with no further service obligation once the product has been installed. Revenue from distinct on-premises licenses with no further service obligation is recognised upfront at the point in time when the software is made available to the customer.

There are some software products which require minor ongoing maintenance and software upgrades that do not significantly modify the form or function of the software and are therefore accounted for as a performance obligation distinct from the installed software. The stand-alone selling price of the ongoing maintenance and software updates has been determined using a residual approach, by reference to the total transaction price less the sum of the observable stand-alone selling price of the installed software (using an expected cost plus margin approach). Revenue associated with the ongoing service obligation is recognised over the term of the contract.

Contract Costs
For certain long-term capacity agreements and managed services contracts, upfront set-up type activities are required to be performed or hardware to be installed to activate these arrangements. For costs incurred in fulfilling the contract with the customer that are within the scope of another Standard, the group accounts for those costs in accordance with those standards (e.g. AASB 116 Property, Plant and Equipment). Where the costs do not fall within scope of another standard, the guidance in AASB 15 is applied and Superloop defers costs incurred to fulfil contracts that relate directly to the contract, are expected to generate resources that will be used to satisfy Superloop's performance obligation under the contract and are expected to be recovered through revenue generated under the contract. Contract fulfilment costs capitalised under AASB 15 are expensed to cost of service as Superloop satisfies its performance obligations under each arrangement. Deferred costs are presented in the group's consolidated statement of financial position as other current and other non-current assets.

1.1.2 AASB 9: Financial Instruments

Superloop has adopted AASB 9 *Financial Instruments* (as amended), effective for an annual period that begins on or after 1 January 2018 for the first time in the current period. As allowed by the transition provisions of AASB 9, Superloop has elected not to restate comparatives.

This standard addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard replaces all previous versions of AASB 9 and introduces new classification and measurement models for financial assets. New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of entities along with requirements for financial assets and amendments to the classification and measurement for certain debt instruments. In relation to the impairment of financial assets requirements under AASB 9, the new standard requires an 'expected credit loss' model as opposed to an incurred credit loss model.

<u>Impact of adopting AASB 9</u>

The impact of the adoption of this standard on Superloop in the current period, is not material. In particular:

a) Classification and measurement – Superloop has determined that there is no impact in respect of the classification and measurement of financial assets and financial liabilities on adoption of AASB 9. Financial assets currently held at fair value will continue to be measured at fair value. Trade and other receivables are held to collect contractual cash flows and are solely payments for principal and interest and will continue to be measured at amortised cost.

b) Impairment - under AASB 9, expected credit losses on financial assets are to be recorded either on a 12-month or lifetime basis. Superloop has applied the simplified approach and record lifetime expected losses on all eligible financial assets including trade receivables, contract assets and lease receivables. The revised methodology for calculation of impairment did not have a significant impact on the financial statements.

c) Hedge accounting - Superloop's existing hedges are currently considered effective relationships and it is expected they will qualify as continuing hedge relationships under AASB 9. With the exception of additional disclosure requirements in relation to hedge accounting under this new standard, there has been no impact on AASB 9 in respect of hedge accounting.

<u>Revised accounting policies under AASB 9</u>

<u>Initial recognition and measurement</u>

Financial assets and financial liabilities are recognised in Superloop's statement of financial position when Superloop becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. On initial recognition, financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are recognised net of transaction costs directly attributable to the acquisition of these financial assets or financial liabilities. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

<u>Financial assets</u>

Classification and subsequent recognition and measurement
All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Subsequent to initial recognition, investments in associates are accounted for under the equity method in the consolidated financial statements.

Superloop classifies its remaining financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss); and
- Those to be measured at amortised cost.

The classification depends on the whether the objective of Superloop's business model is to hold the financial assets in order to collect contractual cash flows (business model test) and whether the contractual terms of the cash flows give rise on specified dates to cash flows that are solely payments of principal and interest (cash flow test).

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income (OCI). For investments in equity instruments that are not held for trading, the classification will depend on whether Superloop has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVTOCI).

The group does not currently have any financial assets or equity instruments classified as FVTOCI

- *Amortised cost*

  Trade and other receivables are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method.

- *Fair Value through Profit or Loss (FVTPL)*

  Assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Impairment

Superloop recognises a loss allowance for expected credit losses on trade receivables that are measured at amortised cost and contract assets. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

For trade receivables, Superloop applies the simplified approach permitted by AASB 9, which requires expected lifetime credit losses to be recognised from initial recognition of the receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on Superloop's historical credit loss experience adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Derecognition

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which Superloop has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Equity instruments issued by Superloop are recognised at the proceeds received, net of direct issue costs. Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL. The group does not currently have any financial liabilities carried at FVTPL.

Financial liabilities measured subsequently at amortised cost

Financial liabilities that are not contingent consideration of an acquirer in a business combination, held- for-trading, or designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities
Superloop derecognises financial liabilities when, and only when, Superloop's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When Superloop exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, Superloop accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability.

Derivatives and hedging
Derivatives are recognised at their fair value at each reporting date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Superloop designates certain derivatives as hedges of exposure to variability in cash flows, which includes hedges for highly probable forecast transactions (cash flow hedges).

Superloop documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. Superloop also documents its assessments, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

Cash flow hedges that qualify for hedge accounting
The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in OCI and accumulated under the heading of cash flow hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'fair value gain/(loss) on hedging transactions entered into the cash flow hedge reserve.' line item.

Amounts previously recognised in OCI and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in OCI and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. This transfer does not affect other comprehensive income. Furthermore, if Superloop expects that some or all of the loss accumulated in the cash flow hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

Superloop discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria. This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognised in OCI and accumulated in cash flow hedge reserve at that time remains in equity and is reclassified to profit or loss when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in cash flow hedge reserve is reclassified immediately to profit or loss.

2 Critical accounting estimates and judgement

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances. This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be wrong.

In preparation of the interim financial report, the significant judgements made by management in applying Superloop's accounting policies and key sources of estimation uncertainty were the same as that applied to the financial report as at the year ended 30 June 2018 with the exception of revenue on long term capacity contracts.

Going Concern

These financial statements have been prepared on the basis that the Group is a going concern and able to realise its assets in the ordinary course of business and settle liabilities as and when they fall due.

The directors note that for the half year ended the 31 December 2018 the Group had net assets of $379.6m with property, plant and equipment making up $217.9m of that, had net current liabilities of $5.4 million and recorded a loss after tax of $8.7 million. In addition the Group has capital commitments of circa $19 million as at that date, and had drawn down $90.2 million from its $120 million debt facility (maturing in 2021) that is subject to certain financial undertakings.

In forming the view that the Group is a going concern, the directors note that Group generated positive operating cash flows of $2 million in the half year period to December 2018 and $37.9 million in the 12 months to 30 June 2018. In addition to underlying growth in the business, the Group also has a history of monetising its infrastructure through sale of capacity contracts to other parties, as well as a history of successful capital raisings to fund the needs of an expanding business.

The Group has prepared detailed cash flow forecasts to December 2020. The directors have concluded that in order to continue to fund its capital works programme while meeting it's financial covenants under the debt facility over the next 12 months the Group will raise additional funds outside of normal operating cash flows. To address the future additional funding requirements the company has undertaken the following initiatives:

i) entered into a fully underwritten combined $31 million rights issue and share placement issue on the 25th February 2019, expected to complete by the end of March 2019.
ii) a programme to continue to monitor the consolidated entity's ongoing working capital requirements and focus on maintaining an appropriate level of expenses in line with the Group's available cash resources.
iii) consideration of future infrastructure asset financing alternatives.

Given the Group's track record of capital raisings in previous periods, commitments from existing shareholders and strong interest from potential participants, as well as the nature of conditions attached to the underwriting agreement, the directors are confident that the Group will be successful in obtaining additional funding and that it is therefore appropriate to continue to prepare the financial statements on the going concern basis.

3 Restatement Note AASB 15

In the current year, the Group has applied AASB 15 Revenue from Contracts with Customers (as amended in April 2016) which is effective for an annual period that begins on or after 1 January 2018. The Group has applied AASB 15 in accordance with the fully retrospective transitional approach. The amount of adjustment for each financial statement line item affected by the application of AASB 15 is illustrated below.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Dec 2017 (as previously stated) $'000	AASB 15 Adjustment $'000	31 Dec 2017 *Restated $'000
REVENUE FROM CONTINUING OPERATIONS			
Revenue	54,388	(4,259)	50,129
Direct costs	(23,638)		(23,638)
Profit after direct costs	**30,750**	**(4,259)**	**26,491**
OTHER REVENUE			
Interest income	22		22
Other income	1,103		1,103
Total other revenue	**1,125**		**1,125**
OPERATING EXPENSES			
Employee benefits expense	(13,641)		(13,641)
Professional fees	(1,741)		(1,741)
Marketing costs	(827)		(827)
Office and administrative expenses	(3,866)		(3,866)
Total operating expenses	**(20,075)**		**(20,075)**
Earnings before interest-paid, tax, depreciation, amortisation and foreign exchange gains/losses (EBITDA)	**11,800**	**(4,259)**	**7,541**
Depreciation and amortisation expense	(9,709)		(9,709)
Finance costs	(1,145)		(1,145)
Foreign exchange gains / (losses)	(369)		(369)
Profit / (loss) before income tax	**577**	**(4,259)**	**(3,682)**
Income tax benefit / (expense)	1,204	697	1,901
Profit / (loss) for the period after tax	**1,781**	**(3,562)**	**(1,781)**
Other comprehensive income, net of income tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations	(645)		(645)
Fair value gain (loss) on hedging transactions entered into the cash flow hedge reserve	(154)		(154)
Total other comprehensive income, net of income tax	(799)		(799)
Total comprehensive profit / (loss) for the period	982	(3,562)	(2,580)
Profit / (loss) for the year attributable to:			
> Owners of Superloop Limited	1,781		(1,781)
	1,781		(1,781)
Total comprehensive profit / (loss) for the period:			
Attributable to:			
> Owners of Superloop Limited	982		(2,580)
	982		(2,580)

Condensed Consolidated Statement of Financial Position

	June 2018 (as Previously Reported) $'000	AASB 15 Adjustment $'000	30 June 2018 *Restated $'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	15,437		15,437
Trade and other receivables	11,120		11,120
Current tax assets	1,518		1,518
Derivative financial asset	88		88
Other current assets	6,930		6,930
Total current assets	**35,093**		**35,093**
NON-CURRENT ASSETS			
Property, plant and equipment	182,127		182,127
Intangible assets	280,669		280,669
Other non-current assets	3,828		3,828
Investment in associate	9,505	489	9,994
Deferred tax assets	954	1,400	2,354
Total non-current assets	**477,083**	**1,889**	**478,972**
TOTAL ASSETS	**512,176**	**1,889**	**514,065**
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	26,089		26,089
Provisions	2,813		2,813
Deferred revenue	6,463		6,463
Deferred consideration	5,715		5,715
Derivative financial liabilities	429		429
Total current liabilities	**41,509**		**41,509**
NON-CURRENT LIABILITIES			
Provisions	2,549		2,549
Deferred revenue	8,515	9,730	18,245
Interest-bearing borrowings	62,779		62,779
Deferred tax liabilities	7,530	(358)	7,172
Total non-current liabilities	**81,373**	**9,372**	**90,745**
TOTAL LIABILITIES	**122,882**	**9,372**	**132,254**
NET ASSETS	**389,294**	**(7,483)**	**381,811**
EQUITY			
Contributed equity	395,911		395,911
Reserves	234		234
Other equity	(3,327)		(3,327)
Accumulated losses	(3,524)	(7,483)	(11,007)
TOTAL EQUITY	**389,294**	**(7,483)**	**381,811**

4 Segment information

Description of segments

Superloop is a trusted enabler of connectivity and managed services in Asia Pacific. During the period, the principal activities of the Group included:

i) the development and operation of independent connectivity infrastructure and services throughout the Asia Pacific region for wholesale and enterprise customers including fibre optic cable, international submarine cables and fixed wireless networks (Connectivity),
ii) the provision of outsourced cloud and managed services, cyber security and cyber safety (Services - Australia), and
iii) the provision of broadband services for individual end users including retail fixed wireless internet services and connectivity services for hotels, student accommodation sites and schools (Broadband - Australia).

The operations of the Group are reported in these segments to Superloop's executive management team (chief operating decision maker).

Segment information provided to management

Operating segments	Connectivity $'000	Services-Australia $'000	Broadband - Australia (1) $'000	Group Shared Services (2) $'000	Total $'000
31 Dec 2018					
Revenue from ordinary activities	25,189	14,083	20,296	757	60,325
Direct costs	(11,329)	(7,720)	(11,518)	-	(30,567)
Employee benefits expense	(5,414)	(3,949)	(2,753)	(4,873)	(16,989)
Other expenses	(2,797)	(1,972)	(2,494)	(997)	(8,260)
EBITDA	**5,649**	**442**	**3,531**	**(5,113)**	**4,509**
Depreciation and amortisation	(9,885)	(1,514)	(1,747)	(590)	(13,736)
Finance expenses	-	-	-	(2,104)	(2,104)
Share of associates profit / (loss)				(68)	(68)
Foreign exchange gains / (losses)	-	-	-	(410)	(410)
Profit / (loss) before income tax	**(4,236)**	**(1,072)**	**1,784**	**(8,285)**	**(11,809)**

(1) Broadband - Australia includes earnings and assets from the acquisition of NuSkope and GX2 including the offshore operations of GX2 Holdings.
(2) Group Shared Services includes inter-segment eliminations and unallocated earnings.

Analysis of Connectivity Operating Segment	Australia (1) $'000	Singapore $'000	Hong Kong $'000	Sub-total $'000
31 Dec 2018				
Revenue from ordinary activities	19,125	4,929	1,135	25,189
Direct costs	(7,698)	(1,706)	(1,925)	(11,329)
Employee benefits expense	(4,344)	(470)	(600)	(5,414)
Other expenses	(2,073)	(401)	(323)	(2,797)
EBITDA	**5,010**	**2,352**	**(1,713)**	**5,649**
Depreciation and amortisation	(7,058)	(1,121)	(1,706)	(9,885)
Finance expenses	-	-	-	-
Foreign exchange gains / (losses)	-	-	-	-
Profit / (loss) before income tax	**(2,048)**	**1,231**	**(3,419)**	**(4,236)**

(1) Superloop - Australia includes earnings and assets associated with the development of the INDIGO submarine cable system.

4 Segment information (cont)

Segment information provided to management

Operating segments *Restated	Connectivity $'000	Services-Australia $'000	Broadband - Australia (1) $'000	Group Shared Services (2) $'000	Total $'000
31 Dec 2017					
Revenue from ordinary activities (3)	23,642	18,002	9,800	(190)	51,254
Direct costs	(7,538)	(10,531)	(5,806)	237	(23,638)
Employee benefits expense	(6,988)	(3,448)	(1,064)	(2,141)	(13,641)
Other expenses	(3,889)	(1,024)	(376)	(1,145)	(6,434)
EBITDA	**5,227**	**2,999**	**2,554**	**(3,239)**	**7,541**
Depreciation and amortisation	(6,484)	(1,996)	(920)	(309)	(9,709)
Finance expenses	-	-	-	(1,145)	(1,145)
Foreign exchange gains / (losses)	(52)	-	(1)	(316)	(369)
Profit / (loss) before income tax	**(1,309)**	**1,003**	**1,633**	**(5,009)**	**(3,682)**

(1) Broadband - Australia includes earnings and assets from the acquisition of NuSkope and GX2 including the offshore operations of GX2 Holdings.
(2) Group Shared Services includes inter-segment eliminations and unallocated earnings.
(3) Prior year adopting AASB 15 full retrospective approach.

Analysis of Connectivity Operating Segment *Restated	Australia $'000	Singapore $'000	Hong Kong $'000	Sub-total $'000
31 Dec 2017				
Revenue from ordinary activities	20,413	2,812	417	23,642
Direct costs	(5,186)	(710)	(1,642)	(7,538)
Employee benefits expense	(6,279)	(338)	(371)	(6,988)
Other expenses	(3,410)	(255)	(224)	(3,889)
EBITDA	**5,538**	**1,509**	**(1,820)**	**5,227**
Depreciation and amortisation	(4,364)	(884)	(1,236)	(6,484)
Finance expenses	-	-	-	-
Foreign exchange gains / (losses)	(52)	-	-	(52)
Profit / (loss) before income tax	**1,122**	**625**	**(3,056)**	**(1,309)**

5 Property, plant and equipment

	31 Dec 2018 $'000	30 June 2018 $'000
Cost or valuation:		
Opening balance	**200,462**	147,893
Additions	37,273	46,626
Additions through business combinations (note 12)	-	1,736
Movement in foreign exchange	5,870	4,207
Disposals	(215)	-
Closing balance	**243,390**	**200,462**
Accumulated depreciation:		
Opening balance	(18,335)	(6,689)
Depreciation charge (YTD)	(6,797)	(11,360)
Disposals	156	58
Movement in foreign exchange	(492)	(344)
Closing balance	**(25,468)**	**(18,335)**
Carrying value:	**217,922**	**182,127**

6 Intangible assets

	31 Dec 2018 $'000	30 June 2018 $'000
Cost or valuation:		
Opening balance	**295,516**	244,632
Additions	2,319	26,747
Additions through business combinations (note 12)	-	24,128
Disposals	(115)	-
Movement in foreign exchange	540	9
Closing balance	**298,260**	**295,516**
Accumulated amortisation:		
Opening balance	(14,847)	(4,826)
Amortisation charge (YTD)	(6,179)	(10,020)
Disposals	10	-
Movement in foreign exchange	(13)	(1)
Closing balance	**(21,029)**	**(14,847)**
Carrying value:	**277,231**	**280,669**

7 Interest-bearing loans and borrowings

The Company had debt outstanding as at 31 December 2018 of $91.4 million (30 June 2018: $63.8 million).

The Company has an $80 million three year revolving facility with ANZ maturing on 15 October 2021 the facility can be used for working capital, capital expenditure and permitted acquisitions and is available to be drawn in multiple currencies.

During the period a $40 million three year revolving facility with Westpac was entered into. This facility matures on 15 October 2021. The facility can be used for working capital, capital expenditure and permitted acquisitions and is available to be drawn in multiple currencies.

Bank guarantees to the value of $1.5 million have been issued under the ANZ facility.

In June 2018, the Company entered into a $9.5 million three year fixed rate instalment payment agreement with an equipment vendor to provide funding for network equipment. At 31 December 2018 $6.4 million (30 June 2018: $0) had been drawn under the agreement.

	Note	31 December 2018 $'000	30 June 2018 $'000
Current			
Finance lease	(A)	1,099	-
Revolving debt facility drawn		-	-
Total current interest-bearing loans and borrowings		**1,099**	**-**
Non Current			
Finance lease	(A)	5,340	-
Revolving debt facility drawn (net of transaction costs)	(B)	90,182	62,779
Total non current interest-bearing loans and borrowings		**95,522**	**62,779**
Total interest-bearing loans and borrowings		**96,621**	**62,779**
Total revolving debt facility limit		120,000	80,000
Less bank guarantees issued under the facility		(1,524)	(1,524)
Less amounts drawn (before transaction costs)		(91,429)	(63,805)
Revolving debt facility available		**27,047**	**14,671**
Instalment payment facility available		**3,061**	**9,500**

	30 June 2018 $'000	Financing cashflows $'000	Transaction costs $'000	Amortisation of transaction costs $'000	31 Dec 2018 $'000
Revolving debt facility	62,779	27,617	(580)	366	90,182
Finance Lease	-	6,439	-	-	6,439
Total interest-bearing loans and borrowings	**62,779**	**34,056**	**(580)**	**366**	**96,621**

(A) Equipment financing lease facility
(B) The drawn debt amount is recognised net of transaction costs which are amortised over the term of the facility using the effective interest rate method.

8 Contributed equity

(A) Share Capital

	Note	31 Dec 2018 Number of Shares	30 June 2018 Number of Shares	31 Dec 2018 $'000	30 June 2018 $'000
Fully paid ordinary shares	(C)	228,596,543	228,499,450	401,931	401,706
Total share capital				**401,931**	**401,706**
Less: Issue costs				(5,804)	(5,795)
Contributed Equity				**396,127**	**395,911**

(B) Movements in ordinary share capital

Date	Details	Number of Shares	Issue Price $	Value $'000
30-Jun-18	**Balance**	228,499,450		401,706
17-Sep-18	Vesting of performance rights	97,093	2.32	225
31-Dec-18	**Balance**	**228,596,543**		**401,931**

(C) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Group in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.
Ordinary shares have no par value and the Group does not have a limited amount of authorised capital.

(D) Dividend reinvestment plan

The Group does not have a dividend reinvestment plan in place.

9 Dividends

		31 Dec 2018 $'000	30 June 2018 $'000
Dividends paid during the period:			
Fully franked dividend for the year ended 30 June 2017, $0.005 per share		-	1,050

10 Loss per share

(A) Loss per share

	31 Dec 2018 Cents	31 Dec 2017 *restated Cents
Total basic loss per share attributable to the ordinary equity holders of the Group	(3.82)	(0.82)

(B) Diluted Loss per Share

	31 Dec 2018 Cents	31 Dec 2017 Cents
Total diluted loss per share attributable to the ordinary equity holders of the Group	(3.81)	(0.82)

(C) Reconciliations of loss used in calculating earnings per share

	31 Dec 2018 $'000	31 Dec 2017 $'000
Basic loss Per Share		
Loss attributable to the ordinary equity holders of the Group used in calculating basic losses per share	(8,731)	(1,781)
Diluted loss Per Share		
Loss from continuing operations attributable to the ordinary equity holders of the Group	(8,731)	(1,781)

(D) Weighted average number of shares used as the denominator

	31 Dec 2018 Number of Shares	31 Dec 2017 Number of Shares
Weighted average number of ordinary shares used as the denominator in calculating basic loss per share	228,554,946	217,597,914
Plus potential ordinary shares	382,288	815,022
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted loss per share	**228,937,234**	**218,412,936**

11 Commitments and contingencies

(A) Capital commitments

Capital expenditure contracted for at the end of each reporting period but not recognised as liabilities is as follows:

	31 Dec 2018 $'000	30 June 2018 $'000
Property, plant and equipment	19,284	31,148
Total capital commitments	**19,284**	**31,148**

Capital commitments disclosed above relate to contracted capital commitments associated with network expansion to the value of $10,213,478 and US$6,403,941 in relation to submarine cable construction.

(B) Contingent assets

The Group did not have any contingent assets during the period or as at the date of this report.

(C) Contingent liabilities

The Group did not have any contingent liabilities during the period or as at the date of this report.

12 Controlled entities acquired or disposed

During the prior year Superloop Limited acquired the following entities:

NuSkope Pty Ltd and associated entities	13 October 2017
Gx2 Holdings Pty Ltd	17 November 2017

The fair value of the identifiable assets and liabilities which were provisional at 30 June 2018 have been finalised at 31 December 2018.

NuSkope Pty Ltd and associated entities (NuSkope)
On 13 October 2017, Superloop Limited acquired 100% of NuSkope Pty Ltd and associated entities for a total estimated consideration of $12.9 million, paid as $7.0 million in cash and $2.9 million in Superloop Limited shares with further deferred consideration payable in 2 instalments in cash. Deferred consideration will represent 33.3% of NuSkope's Earnings before interest, tax, depreciation and amortisation (EBITDA) for the 2018 financial year and 66.7% of EBITDA for the 2019 financial year, calculated in accordance with the operations of NuSkope prior to completion.

The acquisition of NuSkope delivers Superloop a portfolio of strategic assets including wireless network infrastructure, a sophisticated network coverage service qualification tool and a valuable CRM database. Goodwill of $5.2 million represents the residual value of the purchase price over the fair value of the identifiable assets and liabilities shown below.

Accordingly the values identified below are final as at the reporting date. Details of the acquisition are:

	Final Fair Value $'000
a) Identifiable assets acquired and liabilities assumed	
Cash	242
Receivables	136
Property, plant and equipment	1,412
Other assets	2,118
Brand name and trademarks	150
Customer relationships	3,846
Other identifiable intangible assets	2,489
Payables	(719)
Provisions and other liabilities	(241)
Deferred tax liabilities	(1,707)
Net identifiable assets acquired	**7,726**
b) Consideration transferred	
Cash paid	7,000
Shares issued	2,894
Deferred consideration(1)	3,000
Total consideration	**12,894**
(1) Estimated deferred consideration is dependent on EBITDA earned by NuSkope in the 2018 and 2019 financial years and is calculated in accordance with the operations of NuSkope prior to completion. The maximum amount payable is unlimited. $3.0 million has been recognised based on a probability weighted estimate of earnings.	
c) Goodwill on acquisition	
Consideration transferred	12,894
Less: net identifiable assets acquired	(7,726)
Goodwill on acquisition	**5,168**

12 Controlled entities acquired or disposed (cont)

d) Net cash outflow on acquisition	
Consideration paid in cash	7,000
Less: cash and cash equivalent balances acquired	(242)
Net cash outflow on acquisition	**6,758**

GX2 Holdings Pty Ltd (GX2)
On 17 November 2017, Superloop Limited acquired 100% of GX2 Holdings Pty Ltd for a total consideration of $12.2 million, paid as $6.0 million in cash, $4.2 million in Superloop Limited shares and deferred consideration of $2.0 million payable in cash in instalments in the 2 year period from completion.

The strategic acquisition of GX2 accelerates Superloop's existing community broadband campus solution offering to a broader customer base in Australia and overseas and has technology, software and systems that will add significant value to the combined group. Goodwill of $5.4 million represents the residual value of the purchase price over the fair value of the identifiable assets and liabilities shown below.

Accordingly the values identified below are final as at the reporting date. Details of the acquisition are:

	Provisional Fair Value $	Fair Value Adjustment $	Final Fair Value $
a) Identifiable assets acquired and liabilities assumed			
Cash	403		403
Receivables	905		905
Property, plant and equipment	281		281
Other assets	2,053	(95)	1,958
Brand names and trademarks	150		150
Customer relationships	3,802		3,802
Other identifiable intangibles	3,050		3,050
Payables	(845)		(845)
Deferred revenue	(1,025)		(1,025)
Provisions and other liabilities	(396)		(396)
Deferred tax liabilities	(1,445)		(1,445)
Net identifiable assets acquired	**6,933**	**(95)**	**6,838**
b) Consideration transferred			
Cash paid	6,000		6,000
Shares issued	4,219		4,219
Deferred consideration	2,000		2,000
Total consideration	**12,219**		**12,219**
c) Goodwill on acquisition			
Consideration transferred	12,219		12,219
Less: net identifiable assets acquired	(6,933)	95	(6,838)
Goodwill on acquisition	**5,286**	**95**	**5,381**
d) Net cash outflow on acquisition			
Consideration paid in cash	6,000		6,000
Less: cash and cash equivalent balances acquired	(403)		(403)
Net cash outflow on acquisition	**5,597**		**5,597**

13 Fair value of financial assets and liabilities

Fair value hierarchy
The fair value of financial assets and financial liabilities is based on the lowest level of input that is significant to the fair value measurement as a whole and is the amount at which the asset could be sold or the liability transferred in a current transaction between market participants, other than in a forced or liquidation sale. Due to the short term nature of trade and other receivables and trade and other payables, their carrying amounts are assumed to approximate their fair value.

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities at 31 December and 30 June 2018:

	Level 1 - Quoted prices in active markets $	Level 2 - Significant observable inputs $	Level 3 - Significant unobservable inputs $	Total $
31 December 2018				
Financial assets measured at fair value				
Derivative financial assets	-	120	-	120
Total financial assets	**-**	**120**	**-**	**120**
Financial liabilities measured at fair value				
Deferred consideration	-	-	3,591	3,591
Derivative financial liabilities	-	11	-	11
Total financial liabilities	**-**	**11**	**3,591**	**3,602**
30 June 2018				
Financial assets measured at fair value				
Derivative financial assets	-	88	-	88
Total financial assets	**-**	**88**	**-**	**88**
Financial liabilities measured at fair value				
Deferred consideration	-	-	5,716	5,716
Derivative financial liabilities	-	11	-	11
Total financial liabilities	**-**	**11**	**5,716**	**5,727**

There were no transfers between fair value measurement levels during the period. No gain or loss for the half year relating to Level 3 asset or liabilities has been recognised in the statement of profit or loss.

14 Events occurring after the reporting period

On the 25 February Superloop has launched a fully underwritten institutional placement and accelerated non-renounceable entitlement offer to raise approximately $31 million in capital.

Directors' Declaration

The Directors declare that:

a. In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

b. In the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the *Corporations Act 2001*.

On behalf of the Directors

Drew Kelton
Chief Executive Officer / Director

Brisbane
25 February 2019

Deloitte Touche Tohmatsu
ABN 74 490 121 060
Level 23, Riverside Centre
123 Eagle Street
Brisbane, QLD, 4000
Australia

Phone: +61 7 3308 7000
www.deloitte.com.au

Independent Auditor's Review Report to the Members of Superloop Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Superloop Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2018, and the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 8 to 31.

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 gives a true and fair view and 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 consolidated entity's financial position as at 31 December 2018 and its 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 Superloop Limited, 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.

Auditor's Independence Declaration

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 Superloop Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Deloitte.

Conclusion

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 Superloop Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Deloitte Touche Tohmatsu.

DELOITTE TOUCHE TOHMATSU

Stephen Tarling
Partner
Chartered Accountants
Brisbane, 25 February 2019

Corporate Directory

Directors

- **Michael Malone**
  Non-executive Chairman
- **Bevan Slattery**
  Non-executive Director
- **Greg Baynton**
  Non-executive Director
- **Louise Bolger (resigned 23 November 2018)**
  Non-executive Director
- **Richard Anthony (Tony) Clark**
  Non-executive Director
- **Vivian Stewart**
  Non-executive Director
- **Jason Ashton (resigned 30 September 2018)**
  Executive Director
- **Matthew Hollis (resigned 23 November 2018)**
  Executive Director
- **Drew Kelton (appointed 23 November 2018)**
  Chief Executive Officer

Company Secretary

- **Louise Bolger (appointed 20 September 2018)**

General Legal Counsel

- **Paul Jobbins (resigned 20 September 2018)**

Chief Financial Officer

Registered Office

- **Superloop Limited**

Level 17, 333 Ann Street
Brisbane QLD 4000
Tel: +61 (7) 3905 2400

COMPANY WEBSITE

- www.superloop.com

Auditor

- **Deloitte Touche Tohmatsu**
  Level 25, Riverside Centre
  123 Eagle Street
  Brisbane QLD 4000

www.deloitte.com/au

Solicitors

- **McCullough Robertson**

Level 11, Central Plaza Two
66 Eagle Street
Brisbane QLD 4000
www.mccullough.com.au

Share Register

- **Link Market Services Limited**

Level 21, 10 Eagle Street
Brisbane QLD 4000
www.linkmarketservices.com.au

Securities Exchange Listing

- Superloop Limited shares are listed on the Australian Securities Exchange (ASX: SLC)