

## ASX Announcement

18 February 2020

### LODGEMENT OF APPENDIX 4D – HALF YEAR ENDED 31 DECEMBER 2019

Please find attached Superloop Limited's (ASX: SLC) (Company) Final Report for the half year ended 31 December 2019.

#### Highlights:

- H1 FY20 EBITDA of \$4.1m in line with our expectation on \$51.3m of total group revenues.
- Core connectivity revenue up 48% year on year with customers buying more and Superloop delivering quicker therefore building future momentum.
- Strong first half sales performance of \$7.8m annualised new monthly connectivity recurring revenue, with several multi-year contracts including announcing today Superloop will provision Aurizon's (Australia's largest rail freight operator) high bandwidth national network.
- Superloop Home Broadband NBN services fully launched with subscriber growth of 30% from July 2019.
- Reduction of property, plant and equipment capital expenditure year on year of 70%. Reduction in operational expenditure, predominantly from employee cost of 14% year on year.
- In consideration of the general macroeconomic environment the board has deemed it prudent to revise its guidance to \$12m - \$15m as we fully assess the short term implications of international travel restrictions and the resulting business impact from the coronavirus outbreak in particular, our student accommodation & our international prospects given our exposure to Hong Kong and Singapore.

Authorised for release by the Board of Superloop Limited.

# Results for announcement to the market

For the half-year ended 31 December 2019  
(Previous corresponding period to 31 December 2018)

## Summary of Financial Information

	31 Dec 2019 \$'000	31 Dec 2018 \$'000	Change \$'000	Change %
Revenue from ordinary activities	50,822	59,568	(8,746)	(14.7%)
Total revenue and other income	51,334	60,325	(8,991)	(14.9%)
Earnings before interest, tax, depreciation, amortisation and foreign exchange gains/losses (EBITDA)	4,098	4,509	(411)	(9.1%)
(Loss) / profit from ordinary activities after income tax for the half year attributable to members	(21,382)	(8,731)	(12,651)	(144.9%)
(Loss) / profit from ordinary activities after income tax attributable to members	(21,382)	(8,731)	(12,651)	(144.9%)

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

The Group's results have performed in line with expectation with continued growth experienced in the core connectivity segment. The Group's decision to divest from its non-core products, that is, CMS services segment and non APAC Guest wifi, in addition to one-off subsea development revenue in H1 FY2019, has seen a reduction in revenue for the previous corresponding period, with minor movement in EBITDA year on year despite these headwinds.

Earnings before interest, tax, depreciation, amortisation and foreign exchange gains/losses (EBITDA) was \$4.1 million versus \$4.5 million for the previous corresponding period. The Group experienced margin growth in the connectivity and home broadband segments, in addition to a reduction in employee expenses, both of which offset the margin reduction in divestment of non core products and one-off subsea development revenue received in H1 FY2019. The net loss after tax of \$(21.4) million for the period, versus a net loss after tax of \$(8.7) million for the previous corresponding period.

### Explanation of revenue

Superloop's revenue from ordinary activities for the period ended 31 December 2019 was \$50.8 million, versus \$59.6 million (14.7%) for the previous corresponding period. Connectivity Revenue grew to \$26.3 million for the period versus \$25.2m (+4%) in the previous corresponding period, with underlying recurring revenue growth of 18.4% after the exclusion of one-off subsea development revenue received in H1 FY2019. Broadband Revenue declined to \$14.6 million for the period versus \$20.3 million for the previous corresponding period (-28%), due to divestment of non APAC guest wifi business with customer base sold in December 2018, in addition to fewer number of installs completed in the half. Services Revenue continues to decline as expected to \$10.0 million for the period versus \$14.1 million for the previous corresponding period, as the business continues to exit out of this non-core product range.

## Dividends

No dividend has been proposed or declared in respect of the period ended 31 December 2019.

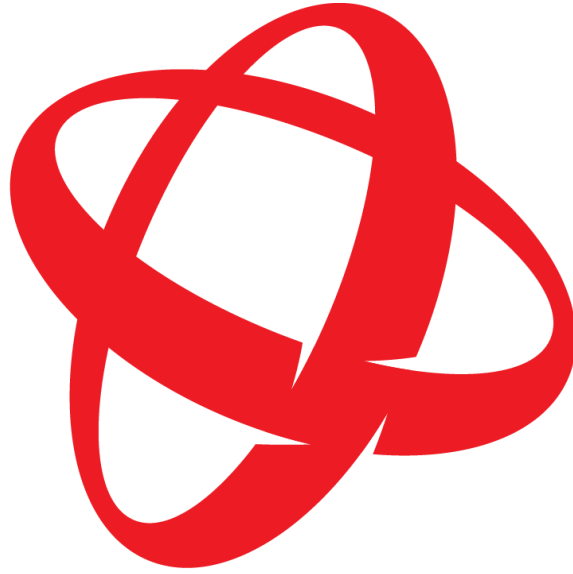
## NTA Backing

	31 Dec 2019	31 Dec 2018
Net tangible assets per ordinary share	\$0.46	\$0.45

The number of Superloop shares on issue at 31 December 2019 was 365,866,416 (31 December 2018: 228,596,543).

## Additional Information

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



superloop

SUPERLOOP LIMITED

ABN 96 169 263 094

CONDENSED CONSOLIDATED HALF YEAR  
FINANCIAL REPORT

For the period ended 31 December 2019

# Contents

Directors' Report	6
Independent Auditor's Independence Declaration	8
Condensed Interim Financial Report	9
Notes to the Condensed Interim Consolidated Financial Report	14
Directors' Declaration	29
Independent Auditor's Report	30
Corporate Directory	32

# Directors' Report

The Directors' present their report on the consolidated entity (referred to hereafter as 'Superloop' or 'Group') consisting of Superloop Limited and the entities it controlled at the end of, or during, the half year ended 31 December 2019.

## Directors

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

- Michael Malone
- Bevan Slattery
- Greg Baynton
- Richard (Tony) Clark
- Vivian Stewart
- Drew Kelton

## Financial and Operating Review

Superloop was founded in 2014 to connect Asia Pacific to the cloud, with a legacy-free network capable of fulfilling the growth in demand for bandwidth across the region. Our core purpose is to change the way Asia Pacific connects.

Superloop is delivering on its core purpose by investing in advanced fibre networks connecting bandwidth-intensive properties across key markets in Asia Pacific, complemented by distributing connectivity within those campuses and properties smartly and securely, leveraging the Group's investments and acquisitions in Fixed Wireless access, Guest WiFi, Cybersecurity and Home Broadband assets, processes, systems and people.

The Group's three reporting segments reflect the nature of these service offerings, including Connectivity (fibre, fixed wireless and third party access networks), Broadband (Guest WiFi and Home Broadband) and Services (cybersecurity under the CyberHound product brand, and Cloud Managed Services).

In order to deliver Connectivity, Broadband and Services to customers within the Asia Pacific, the Group's process value chain and organisational structure encompasses:

- Developing strategy and capital requirements;
- Building the core network 'loop' connecting bandwidth-intensive properties in Singapore, Australia and Hong Kong including a subsea cable network;
- Marketing and selling to a range of wholesale, enterprise and residential customers under a single Superloop brand;
- Delivering products & services to customers in an efficient and effective manner;
- Operating and maintaining the networks and services to high quality service levels;
- Enabling its core value chain by providing people & culture, legal & governance, finance, technology and security support.

Revenue of \$51.3 million was down \$9.0 million (14.9%) compared to the previous corresponding period. Profit after direct costs for the period was \$26.5 million, down from \$29.8 million for the previous corresponding period. Direct costs of \$24.8 million are down \$5.8 million.

Operating expenses for the period were \$22.4 million a decline of \$2.8 million from the prior corresponding period. Employee costs reduced by \$2.3 million. The Group made a Net Loss after Tax of \$21.4 million and earnings before interest-paid, foreign exchange losses, tax, depreciation and amortisation (EBITDA) of \$4.1 million.

As at 31 December 2019, the Group held \$15.8 million in cash and cash equivalents.

During the period, Superloop completed an equity raise of \$92.3 million and executed an amended and extended four year bank facility with its existing lenders ANZ and

Westpac, comprising a \$61.7 million facility limit with revised financial undertakings. As at 31 December 2019, net debt was \$28.5 million (excluding lease liability), with a total of \$39.2 million of the facility drawn.

H1 FY20 (Jul 2019 - Dec 2019) Operational Highlights:

With Superloop's Asia Pacific network now complete, Management's focus is on a portfolio of key initiatives to enable the Group to scale to meet customer needs and utilise network capacity, including:

- Resetting the balance sheet to enable sustainable growth including investing to provide customers specific access to meet their connectivity needs;
- Monetising Superloop's connectivity assets through the sale of \$1.6m new monthly recurring connectivity revenue in FY20;
- Reducing the time and effort taken for customers to buy, activate and receive support for connectivity services, further differentiating Superloop on speed and quality of service;
- Reducing third party access costs, and non-core services;
- Building 'word of mouth' advocacy for Superloop connectivity and broadband, including increasing homes on super fast Superloop NBN home broadband;
- Increasing employee engagement of ~300 Superloopers, which has grown from 6.5/10 to 7.0/10 in the 6 months to December 2019.

## Dividends

No dividends have 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 thousand dollar.

## 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 8.

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  
18 February 2020

# Independent Auditor's Independence Declaration



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](http://www.deloitte.com.au)

The Board of Directors  
Superloop Limited  
Level 1, 545 Queen Street  
Brisbane  
QLD 4000

18 February 2020

Dear Board Members

Auditor's Independence Declaration to 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 2019, 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

A handwritten signature in blue ink that reads "Deloitte Touche Tohmatsu".

DELOITTE TOUCHE TOHMATSU

A handwritten signature in blue ink, appearing to be "Tendai Mkwanzani".

Tendai Mkwanzani  
Partner  
Chartered Accountants



# Condensed Interim Financial Report

31 December 2019

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 1, 545 Queen Street, Brisbane, QLD, 4000.

A description of the nature of the consolidated entity's operations is included in the Directors' Report on page 6, which are not part of these financial statements.

The financial statements were authorised for issue by the Directors' on 18 February 2020. The Directors have the power to amend and reissue the financial statements.

<b>Contents</b>	
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	10
Condensed Consolidated Statement of Financial Position	11
Condensed Consolidated Statement of Changes in Equity	12
Condensed Consolidated Statement of Cash Flows	13
Notes to the Condensed Interim Consolidated Financial Report	14

# Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half-year ended 31 December 2019

	Note	31 Dec 2019 \$'000	31 Dec 2018 \$'000
Revenue		50,822	59,568
Other income		512	757
<b>Total revenue and other income</b>		<b>51,334</b>	<b>60,325</b>
Direct costs		(24,816)	(30,567)
Employee benefits expense		(14,715)	(16,989)
Professional fees		(1,598)	(1,670)
Marketing costs		(1,266)	(1,144)
Administrative and other expenses		(4,841)	(5,446)
<b>Total expenses</b>		<b>(47,236)</b>	<b>(55,816)</b>
<b>Earnings before interest, tax, depreciation, amortisation and foreign exchange gains/losses (EBITDA)</b>		<b>4,098</b>	<b>4,509</b>
Depreciation and amortisation expense		(21,650)	(13,736)
Interest expense		(2,740)	(2,104)
Foreign exchange gains / (losses)		(160)	(410)
Share of associate's profit / (loss)		-	(68)
<b>Loss before income tax</b>		<b>(20,452)</b>	<b>(11,809)</b>
Income tax (expense) / benefit		(930)	3,078
<b>(Loss) / profit for the half year after tax for the year attributable to the owners of Superloop Limited</b>		<b>(21,382)</b>	<b>(8,731)</b>
Other Comprehensive income, net of income tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising from translation of foreign operations		1,095	6,116
Net fair value gain on hedging transactions entered into the cash flow hedge reserve		-	381
<b>Total Other Comprehensive Income, net of income tax</b>		<b>1,095</b>	<b>6,497</b>
<b>Total Comprehensive (Loss) / Profit for the half year attributable to the owners of Superloop Limited</b>		<b>(20,287)</b>	<b>(2,234)</b>
<b>Profit / (Loss) per share for profit / (loss) attributable to the ordinary equity holders of the Group:</b>			
	Note	Cents	Cents
Basic (loss) / profit per share	10	(7.09)	(3.82)
Diluted (loss) / profit per share	10	(7.09)	(3.81)

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

# Condensed Consolidated Statement of Financial Position

As at 31 December 2019

	Note	31 Dec 2019 \$'000	30 June 2019 \$'000
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		15,784	18,898
Trade and other receivables		14,023	27,072
Current tax asset		-	1,043
Derivative financial asset		-	39
Other current assets		7,604	7,024
<b>Total Current Assets</b>		<b>37,411</b>	<b>54,076</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	4	237,812	228,675
Intangible assets	5	246,313	234,169
Other non-current assets		2,461	3,135
Deferred tax assets		9,125	9,435
<b>Total Non-Current Assets</b>		<b>495,711</b>	<b>475,414</b>
<b>TOTAL ASSETS</b>		<b>533,122</b>	<b>529,490</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables		15,134	47,315
Provisions		4,036	2,679
Deferred revenue		4,833	4,208
Interest-bearing borrowings	7	6,759	2,462
Deferred consideration		332	2,940
Derivative financial liabilities		34	74
<b>Total Current Liabilities</b>		<b>31,128</b>	<b>59,678</b>
<b>NON-CURRENT LIABILITIES</b>			
Provisions		245	2,109
Deferred revenue		40,556	34,279
Interest-bearing borrowings	7	44,230	86,692
Deferred tax liabilities		2,862	574
<b>Total Non-Current Liabilities</b>		<b>87,893</b>	<b>123,654</b>
<b>TOTAL LIABILITIES</b>		<b>119,021</b>	<b>183,332</b>
<b>NET ASSETS</b>		<b>414,101</b>	<b>346,158</b>
<b>EQUITY</b>			
Contributed equity	8	514,513	426,283
Reserves		7,361	6,266
Other equity		(3,327)	(3,327)
Accumulated losses		(104,446)	(83,064)
<b>TOTAL EQUITY</b>		<b>414,101</b>	<b>346,158</b>

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

# Condensed Consolidated Statement of Changes in Equity

For the half-year ended 31 December 2019

	Contributed equity \$'000	Reserves \$'000	Other equity \$'000	Accumulated losses \$'000	Total equity \$'000
<b>Balance at 30 June 2019</b>	<b>426,283</b>	<b>6,266</b>	<b>(3,327)</b>	<b>(83,064)</b>	<b>346,158</b>
Loss for the period	-	-	-	(21,382)	(21,382)
Other comprehensive income for the period	-	1,095	-	-	1,095
<b>Total Comprehensive Income for the period</b>	<b>-</b>	<b>1,095</b>	<b>-</b>	<b>(21,382)</b>	<b>(20,287)</b>
Share based payments	-	-	-	-	-
Issue of ordinary share capital	92,304	-	-	-	92,304
Share issue costs	(4,074)	-	-	-	(4,074)
<b>Balance at 31 December 2019</b>	<b>514,513</b>	<b>7,361</b>	<b>(3,327)</b>	<b>(104,446)</b>	<b>414,101</b>

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

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 2019

	31 Dec 2019	31 Dec 2018
	\$'000	\$'000
<b>OPERATING ACTIVITIES</b>		
Receipts from customers	63,708	50,330
Payments to suppliers and employees	(57,849)	(48,317)
Income taxes (paid) / received	101	(56)
<b>Net cash inflow from operating activities</b>	<b>5,960</b>	<b>1,957</b>
<b>INVESTING ACTIVITIES</b>		
Interest received	26	13
Payments for property, plant and equipment	(30,343)	(30,428)
Payments for intangible assets	(12,613)	(1,964)
Proceeds received for sale of intangible assets	39	163
Deferred consideration payments	(2,000)	(2,125)
Transaction costs associated with the acquisition of subsidiaries	-	-
<b>Net cash inflow / (outflow) from investing activities</b>	<b>(44,891)</b>	<b>(34,341)</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds from issues of shares	92,304	-
Transaction costs paid in relation to issue of shares	(4,074)	9
Dividends paid	-	-
Lease payments	(2,723)	-
Proceeds from borrowings (net of fees)	61,520	27,404
Repayment of borrowings	(108,311)	-
Interest paid	(2,740)	(2,102)
<b>Net cash inflow from financing activities</b>	<b>35,976</b>	<b>25,311</b>
Net increase/(decrease) in cash and cash equivalents held	(2,954)	(7,073)
Cash and cash equivalents at the beginning of the year	18,898	15,437
Foreign exchange movement in cash	(160)	(410)
<b>Cash and cash equivalents at the end of the half year</b>	<b>15,784</b>	<b>7,954</b>

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

# Notes to the Condensed Interim Consolidated Financial Report

Notes to the Condensed Interim Consolidated Financial Report	14
1 Significant accounting policies	15
2 Critical accounting estimates and judgement	18
3 Segment information	19
4 Property, plant and equipment	21
5 Intangible assets	22
6. Income tax expense	23
7 Interest-bearing loans and borrowings	23
8 Contributed equity	25
9 Dividends	26
10 Earnings per share	26
11 Commitments and contingencies	27
12 Fair value of financial instruments	27
13 Events occurring after the reporting period	28

# 1 Significant accounting policies

These general purpose financial statements for the half-year reporting period ended 31 December 2019 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 2019 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 2019, except for the accounting policies affected by the adoption of AASB 16 *Leases*. 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 are 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.

## **Application of new and revised accounting standards — AASB 16 Leases**

On 1 July 2019 the Group has applied AASB 16 Leases which is effective for an annual period that begins on or after 1 January 2019. The Group has applied AASB 16 in accordance with the modified retrospective transition approach, therefore the comparative information has not been restated and continues to be reported under IAS 17.

The Group has applied the following expedients in relation to the adoption of AASB 16, the right-of-use assets were measured at an amount based on the lease liability at adoption and initial direct costs incurred when obtaining leases were excluded from this measurement. The Group has elected to use a single discount rate to measure lease liabilities for each identified lease contract with similar lease characteristics and has elected to use hindsight where applicable when determining lease term and inclusions of options to extend or terminate the lease.

## **Impact of applying the AASB 16 accounting policy**

The impacts to the Group's financial statements and the key movements recorded in the consolidated statement of financial position on 1 July 2019 are shown in the table below.

	30 June 2019 (as previously reported) \$'000	AASB 16 Adjustment	1 July 2019 \$'000
Impact on Assets & Liabilities			
Property, plant and equipment	228,675	11,209	239,884
Current Interest-bearing borrowings	(2,462)	(5,184)	(7,646)
Non-Current Interest-bearing borrowings	(86,692)	(6,025)	(92,717)
Total Effect on Net Assets		-	

Right-of-Use assets have been recognised as at 1 July 2019 under the following property, plant and equipment categories.

	\$'000
Asset Categories	
Communication Assets	7,642
Other Assets	3,567
	<u>11,209</u>

The largest proportion of the total right-of-use asset recognised relates to base stations, which have been included in the Communication category. The remaining right-of-use assets largely relate to office and vehicle leases and have been included in Other Assets.

Changes made to previous accounting policy (IAS 17) as a result of applying the AASB 16 ('current') accounting policy are as follows:

- Under IAS 17, lessees were classified as either operating or finance leases. Operating lease costs were expensed on a straight-line basis over the period of the lease. Finance leases resulted in the recognition, in the statement of financial position, of an asset and a corresponding liability for lease payments, at the lower of the fair value or present value of minimum lease payments. Under AASB 16, all lease agreements give rise to the recognition of a 'right-of-use asset' representing the right to use the leased item and a liability for any future lease payments over the 'reasonably certain' period of the lease, which may include future lease periods for which the Group has extension options.
- Lessee accounting under AASB 16 is similar to finance lease accounting for lessees under IAS 17; lease costs are recognised in the form of depreciation of the right-of-use asset and interest on the lease liability which is generally discounted at the incremental borrowing rate of the relevant Group entity, although the interest rate implicit in the lease is used when it is more readily determinable. Interest charges will typically be higher in the early stages of a lease and will reduce over the term. Lease interest costs are recorded in financing costs and associated cash payments are classified as financing cash flows in the Group's cash flow statement.



The lease payments made during the six months ended 31 December 2019 were \$2.96 million; with the adoption of AASB 16 Leases these payments are no longer included in EBITDA, but instead depreciation and interest expense are recognised. A depreciation expense of \$2.76 million and interest expense of \$0.23 million has been recognised during the period in relation to operating leases.

### **AASB 16 Accounting Policy**

When the Group leases an asset, a 'right-of-use asset' is recognised for the leased item and a lease liability is recognised for any lease payments due at the lease commencement date. The right-of-use asset is initially measured at cost, being the present value of the lease payments paid or payable, plus any initial direct costs incurred in entering the lease and less any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis from the commencement date to the end of the lease term. The lease term is the non-cancellable period of the lease plus any periods for which the Group is 'reasonably certain' to exercise any extension options.

Lease liabilities are initially measured at the value of the lease payments that are not paid at the commencement date and are discounted using the incremental borrowing rates of the applicable Group entity (the rate implicit in the lease is used if it is readily determinable). Only fixed lease payments for the term of the lease are included in the lease liability.

After initial recognition, the lease liability is recorded 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 (e.g. an inflation related increase) or if the Group's assessment of the lease term changes; any change in the lease liability as a result of these changes also results in a corresponding change in the recorded right-of-use asset.

### **Critical accounting judgements and key sources of estimation relating to AASB 16**

#### **i) Lease identification**

Whether an arrangement is considered a lease or a service contract depends on the analysis by Management of both the legal form and substance of the arrangement between the Group and the counter-party to determine if control of an identified asset has been passed between the parties; if not, the arrangement is a service arrangement. Control exists if the Group obtains substantially all of the economic benefit from the use of the asset and has the ability to direct its use, for a period of time. An identified asset exists where an agreement explicitly or implicitly identifies an asset or a physically distinct portion of an asset which the lessor has no substantive right to substitute.

The judgement impacts the nature and timing of both costs and reported assets and liabilities. A lease results in depreciation and interest being recognised and an asset and a liability being reported; the interest charge will decrease over the life of the lease. A service contract results in operating expenses being recognised evenly over the life of the contract and no assets or liabilities being recorded (other than trade payables, prepayments and accruals).

ii) Lease term

Where leases include additional optional periods after an initial lease term, significant judgement is required in determining whether these optional periods should be included when determining the lease term. Optional periods are included in the lease term if the Group is reasonably certain it will exercise an extension option or will not exercise a termination option; this depends on an analysis by Management of all relevant facts and circumstances including the leased asset's nature and purpose, the economic and practical potential for replacing the asset and any plans that the Group has in place for the future use of the asset.

### Transition disclosures

The weighted average incremental borrowing rate applied to the Group's lease liabilities recognised in the balance sheet at 1 July 2019 was 4.88%.

The Group's undiscounted operating lease commitments at 30 June 2019 were \$8.0 million with the material differences between IAS 17 lease commitments and the lease liabilities recognised on transition to AASB 16 Leases are shown in the table below:

	\$'000
<b>Operating Lease Commitment at 30 June 2019</b>	<b>7,965</b>
Less: effect of discounting on payments included in the operating lease commitment	(989)
Plus: lease liabilities in respect of additional 'reasonably certain' lease extensions assumed under AASB 16	4,233
<b>Lease liability opening balance reported at 1 July 2019</b>	<b>11,209</b>

## 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 2019, except for the critical accounting estimates and judgements related to the adoption of AASB 16 Leases explained in note 1.

## 3 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), and
- iii) the provision of broadband services for individual end users including residential NBN, retail fixed wireless and fixed line internet services and connectivity services for hotels, student accommodation sites and schools (Broadband).

The operations of the Group are reported in these segments to Superloop's Executive Management team (chief operating decision maker). Items not specifically related to an individual segment are classified as Group Shared Services. Refer below for details of material items. The accounting policies of the segments are the same as the Group (refer to note 1).

### Segment information provided to Management

Operating Segments for half year ending 31 December 2019	Connectivity \$'000	Services (1) \$'000	Broadband (2) \$'000	Group Shared Services (3) \$'000	Total \$'000
Revenue and other income	26,267	10,001	14,553	512	51,334
Direct costs	(12,293)	(5,005)	(7,518)	-	(24,816)
<b>Gross Margin</b>	<b>13,974</b>	<b>4,996</b>	<b>7,035</b>	<b>512</b>	<b>26,518</b>
Operating expenses					(22,420)
Depreciation and amortisation	(18,264)	(1,391)	(1,996)	-	(21,650)
Interest, FX & other					(2,900)
<b>Loss before income tax</b>					<b>(20,452)</b>

(1) Services includes earnings associated with the Cloud Managed Services entities acquired through the 2016 Big Air acquisition, and from cybersecurity subsidiary, CyberHound.

(2) Broadband includes earnings and assets from BigAir Community Broadband, NuSkope and GX2 Technology.

(3) Group Shared Services includes inter-segment elimination and unallocated earnings.

Analysis of Connectivity Operating Segment for the half year ending 31 December 2019	Australia Fibre \$'000	Australia Fixed Wireless \$'000	Singapore Fibre \$'000	Hong Kong Fibre \$'000	Connectivity Sub Total \$'000
Revenue and other income	8,155	9,113	7,415	1,584	26,267
Direct costs	(7,415)	(1,403)	(1,314)	(2,161)	(12,293)
<b>Gross Margin</b>	<b>740</b>	<b>7,710</b>	<b>6,101</b>	<b>(577)</b>	<b>13,974</b>
Depreciation and amortisation	(6,525)	(7,629)	(1,539)	(2,571)	(18,264)

Operating Segments for half year ending 31 December 2018	Connectivity (1) \$'000	Services (2) \$'000	Broadband (3) \$'000	Group Shared Services (4) \$'000	Total \$'000
Revenue and other income	25,189	14,083	20,296	757	60,325
Direct costs	(11,330)	(7,720)	(11,517)	-	(30,567)
<b>Gross Margin</b>	<b>13,859</b>	<b>6,363</b>	<b>8,779</b>	<b>757</b>	<b>29,758</b>
Operating expenses					(25,249)
Depreciation and amortisation	(9,885)	(1,514)	(1,747)	(590)	(13,736)
Interest, FX & other					(2,582)
<b>Loss before income tax</b>					<b>(11,809)</b>

(1) Connectivity includes earnings associated with the development of the INDIGO subsea cable system.

(2) Services includes earnings associated with the Cloud Managed Services entities acquired through the 2016 Big Air acquisition, and from cybersecurity subsidiary, CyberHound.

(3) Broadband includes earnings and assets from BigAir Community Broadband, NuSkope and GX2 Technology.

(4) Group Shared Services includes inter-segment eliminations and unallocated earnings.

(5) Australia includes INDIGO subsea cable assets and development revenue.

Analysis of Connectivity Operating Segment for the half year ending 31 December 2018	Australia Fibre (5) \$'000	Australia Fixed Wireless \$'000	Singapore Fibre \$'000	Hong Kong Fibre \$'000	Sub Total \$'000
Revenue and other income	8,590	10,535	4,929	1,135	25,189
Direct costs	(3,854)	(3,845)	(1,706)	(1,925)	(11,330)
<b>Gross Margin</b>	<b>4,736</b>	<b>6,690</b>	<b>3,223</b>	<b>(790)</b>	<b>13,859</b>
Depreciation and amortisation	(4,115)	(2,943)	(1,121)	(1,706)	(9,885)

## 4 Property, plant and equipment

	31 Dec 2019	30 June 2019
	\$'000	\$'000
<b>Cost or valuation:</b>		
Opening Balance	270,233	200,461
Adoption of AASB16 Lease accounting standard	11,209	-
Additions	10,426	63,048
Disposal	(36)	(222)
Movements in foreign exchange	457	6,946
<b>Closing Balance</b>	<b>292,289</b>	<b>270,233</b>
<b>Accumulated amortisation:</b>		
Opening Balance	(41,558)	(18,334)
Depreciation charge	(12,949)	(15,326)
Disposal	36	168
Impairment	-	(7,429)
Movements in foreign exchange	(6)	(637)
<b>Closing Balance</b>	<b>(54,477)</b>	<b>(41,558)</b>
<b>Carrying Value</b>	<b>237,812</b>	<b>228,675</b>

## 5 Intangible assets

	31 Dec 2019	30 June 2019
	\$'000	\$'000
<b>Cost or valuation:</b>		
Opening Balance	312,632	295,516
Additions	19,913	16,650
Disposal	-	(317)
Movements in foreign exchange	(4)	783
<b>Closing Balance</b>	<b>332,541</b>	<b>312,632</b>
<b>Accumulated amortisation:</b>		
Opening Balance	(78,463)	(14,847)
Amortisation charge	(7,780)	(20,424)
Disposal	-	94
Impairment	-	(43,255)
Movements in foreign exchange	15	(31)
<b>Closing Balance</b>	<b>(86,228)</b>	<b>(78,463)</b>
<b>Carrying Value</b>	<b>246,313</b>	<b>234,169</b>

## 6 Income tax expense

	31 Dec 2019 \$'000	31 Dec 2018 \$'000
The income tax expense / (benefit) for the half year can be reconciled to the accounting profit as follows:		
Loss from continuing operations before income tax payable	(20,452)	(11,809)
Tax expense/(credit) at the Australian tax rate of 30%	(6,136)	(3,543)
Non-deductible expenses	-	-
Effect of different tax rates of subsidiaries operating in other jurisdictions	266	465
Unrecognised tax losses	6,800	-
<b>Income tax expense / (benefit)</b>	<b>930</b>	<b>(3,078)</b>

## 7 Interest-bearing loans and borrowings

The Group had interest bearing loans and borrowing as at 31 December 2019 of \$51.0 million (30 June 2019: \$89.2 million).

As part of the Group's capital restructure in October 2019, the revolving facility with ANZ and Westpac was reduced to \$61.7 million and extended for a further four years, maturing 31 October 2023. The facility can be used for working capital and capital expenditure and is available to be drawn in multiple currencies.

Bank guarantees to the value of \$1.1 million have been issued under the ANZ/Westpac facility.

The Group utilises an equipment vendor to provide funding for network equipment, entering into a three year fixed rate instalment payment agreement. At 31 December 2019, \$5.1 million had been funded under this arrangement (30 June 2019: \$6.3 million). In terms of the cash flow statement, the impact of the equipment financing has been shown on a gross basis, with the amount of property, plant and equipment funded by the equipment financing included in the payments for property, plant and equipment and shown as a cash inflow in proceeds from borrowings.

	Notes	31 Dec 2019 \$'000	30 Jun 2019 \$'000
<b>Current</b>			
Equipment financing		2,480	2,462
Lease liability		4,279	-
Revolving debt facility drawn		-	-
<b>Total current interest-bearing loans and borrowings</b>		<b>6,759</b>	<b>2,462</b>
<b>Non-Current</b>			
Equipment financing		2,640	3,885
Lease liability		4,347	
Revolving debt facility drawn (net of transaction costs)	(A)	37,243	82,807
<b>Total non-current interest-bearing loans and borrowings</b>		<b>44,230</b>	<b>86,692</b>
<b>Total interest-bearing loans and borrowings</b>		<b>50,989</b>	<b>89,154</b>
Total revolving debt facility limit		61,700	120,000
Less bank guarantees issued under the facility		(1,110)	(1,082)
Less amounts drawn (before transaction costs)		(39,212)	(83,929)
<b>Revolving debt facility available</b>		<b>21,378</b>	<b>34,989</b>

(A) 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

	31 Dec 2019 Number of Shares	30 June 2019 Number of Shares	31 Dec 2019 \$'000	30 June 2019 \$'000
Fully paid ordinary shares	365,866,416	253,301,037	525,115	432,811
<b>Total share capital</b>	<b>365,866,416</b>	<b>253,301,037</b>	<b>525,115</b>	<b>432,811</b>
Less: Issue costs			(10,602)	(6,528)
Contributed equity	365,866,416	253,301,037	514,513	426,283

### (B) Movements in ordinary share capital

Date	Details	Number of Shares	Issue Price \$	Value \$
<b>30-Jun-19</b>	<b>Balance</b>	<b>253,301,037</b>		<b>432,811,444</b>
1-Oct-19	Share placement	48,230,863	0.82	39,549,308
21-Oct-19	Share placement	24,518,061	0.82	20,104,810
4-Nov-19	Share placement	39,816,455	0.82	32,649,493
<b>31-Dec-19</b>	<b>Balance</b>	<b>365,866,416</b>		<b>525,115,055</b>

### (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

No dividends were paid or declared in period to 31 December 2019 (Nil: 31 December 2018).

## 10 Earnings per share

### Earnings per share

	31 Dec 2019 Cents	31 Dec 2018 Cents
Total basic earnings per share attributable to the ordinary equity holders of the Group	(7.09)	(3.82)

### Diluted earnings per Share

	31 Dec 2019 Cents	31 Dec 2018 Cents
Total diluted earnings per share attributable to the ordinary equity holders of the Group	(7.09)	(3.81)

### Reconciliation of earnings used in calculating earnings per share

	31 Dec 2019 \$'000	31 Dec 2018 \$'000
--	-----------------------	-----------------------

#### Basic earnings Per Share

Earnings attributable to the ordinary equity holders of the Group used in calculating basic losses per share	(21,382)	(8,731)
--	----------	---------

#### Diluted earnings Per Share

Earnings from continuing operations attributable to the ordinary equity holders of the Group	(21,382)	(8,731)
--	----------	---------

### Weighted average number of shares used as the denominator

	31 Dec 2019 Number of Shares	31 Dec 2018 Number of Shares
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	301,536,366	228,554,946
Effects of dilution from:		
Performance rights		
Share options	-	382,288
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	301,536,366	228,937,234

# 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 2019 \$'000	30 June 2019 \$'000
Property, plant and equipment	2,580	6,002
Total capital commitments	2,580	6,002

## (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 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 2019:

	Level 1 - Quoted prices in active markets \$'000	Level 2 - Significant observable inputs \$'000	Level 3 - Significant unobservable inputs \$'000	Total
<b>31 December 2019</b>				
Financial assets measured at fair value				
Derivative financial assets	-	-	-	-
<b>Total financial assets</b>	-	-	-	-
Financial liabilities measured at fair value				
Deferred consideration	-	-	332	332
Derivative financial liabilities	-	34	-	34
<b>Total financial liabilities</b>	-	<b>34</b>	<b>332</b>	<b>366</b>
<b>30 June 2019</b>				
Financial assets measured at fair value				
Derivative financial assets	-	39	-	39
<b>Total financial assets</b>	-	<b>39</b>	-	<b>39</b>
Financial liabilities measured at fair value				
Deferred consideration	-	-	2,940	2,940
Derivative financial liabilities	-	74	-	74
<b>Total financial liabilities</b>	-	<b>74</b>	<b>2,940</b>	<b>3,014</b>

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.

## 13 Events occurring after the reporting period

There are no matters or circumstances that occurred subsequent to the end of the reporting period that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in future financial years.

# Directors' Declaration

The Directors declare that:

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

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

A handwritten signature in black ink, appearing to read 'Drew Kelton', with a long horizontal stroke extending to the right.

**Drew Kelton**  
Chief Executive Officer / Director

18 February 2020

# Independent Auditor's Report



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](http://www.deloitte.com.au)

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

We have reviewed the accompanying half-year financial report of Superloop Limited ("the company"), which comprises the condensed consolidated statement of financial position as at 31 December 2019, 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 9 to 28.

### *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 2019 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.

*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 2019 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

*MA*

Tendai Mkwanzani  
Partner  
Chartered Accountants  
Brisbane, 18 February 2020

# Corporate Directory

## Directors

**Michael Malone**  
Non-Executive Chairman

**Bevan Slattery**  
Non-Executive Director

**Greg Baynton**  
Non-Executive Director

**Richard Anthony (Tony) Clark**  
Non-Executive Director

**Vivian Stewart**  
Non-Executive Director

**Drew Kelton**  
Executive Director

## Chief Executive Officer

Drew Kelton

## Company Secretary

Louise Bolger

**Registered Office**  
**Superloop Limited**  
Level 1, 545 Queen Street  
Brisbane QLD 4000  
Tel: +61 (7) 3905 2400

**COMPANY WEBSITE**  
[www.superloop.com](http://www.superloop.com)

**Auditor**  
Deloitte Touche Tohmatsu  
Level 25, Riverside Centre  
123 Eagle Street  
Brisbane QLD 4000  
[www.deloitte.com/au](http://www.deloitte.com/au)

**Solicitors**  
Baker & McKenzie  
Level 8, 175 Eagle Street  
Brisbane QLD 4000  
[www.bakermckenzie.com/australia](http://www.bakermckenzie.com/australia)

**Share Register**  
Link Market Services Limited  
Level 21, 10 Eagle Street  
Brisbane QLD 4000  
[www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

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