

# Aussie Broadband Limited

ABN 29 132 090 192

## Appendix 4D and Interim Financial Report for period ending 31 December 2020

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### 1. Reporting periods:

Current: 1 July 2020 to 31 December 2020  
Previous: 1 July 2019 to 31 December 2019

### 2. Results for announcement to the market:

\$'000	31 Dec 2020	31 Dec 2019	Change \$'000	Change %
Revenue from ordinary activities	157,444	83,385	74,059	89%
Loss from ordinary activities after tax attributable to members	(10,467)	(1,354)	(9,113)	(673%)
Net loss after tax attributable to members	(10,467)	(1,354)	(9,113)	(673%)

The company generated revenue of \$157.4m and a net loss after tax of \$10.5m for the period. The result reflects growth in revenue of 89% compared to the prior corresponding period primarily due to growth in broadband subscribers in both the residential and business segments. The net loss after tax includes a cost of \$12.3m associated with a change in fair value of the embedded derivative arising from the convertible notes which converted at the time of the IPO (Dec 19: \$0.3m) and \$1.1m of IPO expenses.

The result before the fair value adjustments and IPO expenses for 2020 was a profit of \$2.9m (2019: loss of \$1.6m) an increase in profit of \$4.5m. This result was driven by the increase in revenue set out above.

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

### 3. Net tangible assets

	31 Dec 2020	31 Dec 2019
Net tangible assets / (liabilities) backing per share	\$0.26	(\$2,176.62)

Note that the Company undertook a share split of 1:9,773.40 during the period and prior to its IPO.

#### **4. Additional Information**

Additional financial information is included in attached Interim Financial Report which has been reviewed by the Group's auditors.

# Aussie Broadband Limited

ABN 29 132 090 192

**Interim Financial Report for the half-year ended 31 December 2020**

**AUSSIE BROADBAND LIMITED AND ITS CONTROLLED ENTITIES**  
**ABN: 29 132 090 192**  
**Interim Financial Report for the half-year ended 31 December 2020**

## **Directors' Report**

The Directors present their report, together with the financial statements, of the Group (referred to hereafter as the 'Group') consisting of Aussie Broadband Limited (referred to hereafter as the 'Company') and the entities it controlled at the end of, or during, the half-year ended 31 December 2020.

### **Board of Directors**

The following persons were Directors of Aussie Broadband Limited during the half-year ended 31 December 2020 and up to the date of this report, unless otherwise stated:

Adrian Fitzpatrick – Non-Executive Director and Chairman (appointed 1 July 2020)

Richard Dammary – Non-Executive Director (appointed 1 July 2020)

Vicky Papachristos – Non-Executive Director (appointed 1 July 2020)

Patrick Greene – Non-Executive Director

Phillip Britt – Managing Director and Executive Director

John Reisinger – Chief Technology Officer and Executive Director

### **Principal activities**

The principal activity of the Group is a national carrier of telecommunications services in Australia focused on providing broadband, mobile and related services to residential and business segments.

No significant changes in the nature of the Group's activity occurred during the half-year.

### **Review of operations**

The loss for the half-year for the Group after providing for income tax amounted to \$10,467,277 (31 December 2019: \$1,354,135).

### **Significant changes in the state of affairs**

At a general meeting of the Company on 22 July 2020 shareholders passed special resolutions to, inter alia:

- Change the company type from a proprietary company limited by shares to a public company limited by shares;
- Change the company name from Aussie Broadband Pty Ltd to Aussie Broadband Limited effective from the date on which the Company changed its type to a public company limited by shares; and
- Repeal its constitution and replace it with a new constitution effective from the date on which the Company changed to a public company limited by shares.

At a general meeting of the Company on 13 September 2020 shareholders passed a special resolution to split the share capital of the Company on a 1:9,773.40 basis following which the Company had 104,086,766 shares on issue.

During the period the Company applied for, and was granted, admission to the Official List of the Australian Securities Exchange (ASX). As a consequence of this approval the Convertible Notes issued by the Company in October 2019, together with interest accrued thereon, was converted to share capital with the issue of 45,776,260 shares.

In the course of finalising its admission to the ASX the Company completed an Initial Public Offering of 40,000,000 shares at \$1.00 per share and debuted on the ASX on 16 October 2020.

**AUSSIE BROADBAND LIMITED AND ITS CONTROLLED ENTITIES**  
**ABN: 29 132 090 192**  
**Interim Financial Report for the half-year ended 31 December 2020**

**Matters subsequent to the end of the half-year**

There has not arisen in the interval between the end of the period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company, in future periods.

**Impacts of COVID-19**

The coronavirus (COVID-19) pandemic developed in late 2019, rapidly increased through 2020 and remains ongoing. The impact of COVID-19 has been significantly detrimental to many businesses and industries, and whilst the operations of the Group have been adversely affected in number of ways, this has not been to a material extent.

The business has continued to see significant growth through the COVID-19 period. Operationally the business has coped well with the implementation of a COVIDSafe plan for its office locations and many staff working from home. Impacts the business has experienced are:

- There have been some interruptions to the supply chain of customer routers, but the business has found alternative equipment where necessary and the impact on customers has been some modest delays in delivery times.
- Certain marketing activities have been impacted due to logistical challenges faced by mail and courier service providers.
- Bandwidth usage has increased through the COVID-19 period with significant national spikes during the major lockdowns in the earlier stages of the pandemic, and smaller localised spikes associated with lockdowns we've seen more recently in the pandemic. The impact of this was mitigated by cost relief provided by network service providers.
- The Company eased its debt collection processes, recognising the difficulties faced by many of its customers. Whilst it was envisaged that the changed processes might yield slower collection it has also resulted in an increase in debt defaults increasing bad debt expense by approximately \$500,000 above expectations.

In the period following this report there will continue to be COVID-19 impacts but these are difficult to fully determine due to the uncertainty of future outbreaks and governmental responses. The following areas will be monitored by the Company:

- Recently NBN announced that it would not be taking any new orders from internet retailers for customers requiring the use of HFC technology due to a shortage in global supply of chipsets used in the NBN HFC equipment. It is anticipated that this will have a modest impact on our future growth for as long this situation continues.
- Supply chain challenges in relation to hardware provided to customers – the Company holds significant forward inventory but will continue to work with its partners to ensure continuity of supply.
- Credit exposure – the Company is reviewing its debt collection processes to ensure that it can continue to support our customers where necessary, but limit the exposure to accumulating debt balances.

**AUSSIE BROADBAND LIMITED AND ITS CONTROLLED ENTITIES**  
**ABN: 29 132 090 192**  
**Interim Financial Report for the half-year ended 31 December 2020**

**Rounding off**

The Group is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and in accordance with that Instrument, amounts in the consolidated financial statements and Directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

**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 immediately after this Directors' report.

This 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.



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Adrian Fitzpatrick  
Chairman



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Phillip Britt  
Managing Director

Melbourne

16 February 2021



# Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Aussie Broadband Limited

I declare that, to the best of my knowledge and belief, in relation to the review of Aussie Broadband Limited for the half-year ended 31 December 2020 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- ii. no contraventions of any applicable code of professional conduct in relation to the review.

A handwritten signature of 'KPMG' in black ink, written in a cursive, stylized font.

KPMG

A handwritten signature of 'Suzanne Bell' in black ink, written in a cursive, stylized font.

Suzanne Bell  
Partner

Melbourne  
16 February 2021

**Consolidated Statement of Profit or Loss and Other Comprehensive Income**  
**For the half-year ended 31 December 2020**

	Notes	31 Dec 2020 \$'000	31 Dec 2019 \$'000
Revenue	5	157,444	83,385
Network and hardware expenses		(115,453)	(64,439)
Employee expenses		(18,680)	(8,873)
Marketing expenses		(9,676)	(3,002)
Administration and other expenses		(6,292)	(3,141)
Depreciation and amortisation	6,7,8	(3,589)	(2,493)
Interest expenses		(1,972)	(3,090)
Interest and other income		24	8
Change in fair value of derivative		(12,273)	291
<b>Loss before income tax benefit</b>		<b>(10,467)</b>	<b>(1,354)</b>
Income tax		-	-
<b>Loss after income tax benefit for the period</b>		<b>(10,467)</b>	<b>(1,354)</b>
<b>Other comprehensive income</b>			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Other comprehensive income for the period, net of tax		-	-
<b>Total comprehensive loss for the period</b>		<b>(10,467)</b>	<b>(1,354)</b>
<b>Loss per share</b>		<b>\$</b>	<b>\$</b>
Basic and diluted loss per share for the period attributable to ordinary equity holders of the Company	13	0.13	127.15

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

**Consolidated Statement of Financial Position**  
**Interim Financial Report for the half-year ended 31 December 2020**

	Notes	31 Dec 2020 \$'000	30 June 2020 \$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		50,440	21,435
Trade and other receivables		16,490	11,389
Inventories		1,865	1,692
Financial assets		1,955	1,947
Prepayments		1,237	590
<b>Total current assets</b>		<b>71,987</b>	<b>37,053</b>
<b>Non-current assets</b>			
Property, plant and equipment	6	12,433	5,408
Right-of-use assets	8	13,859	12,385
Intangibles	7	3,517	2,458
Financial assets		229	228
<b>Total non-current assets</b>		<b>30,038</b>	<b>20,479</b>
<b>Total assets</b>		<b>102,025</b>	<b>57,532</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables		18,878	16,115
Contract liabilities		14,160	10,764
Borrowings	9	500	27,238
Derivative	10	-	10,384
Lease liabilities	8	5,477	4,009
Employee benefits		2,687	1,970
<b>Total current liabilities</b>		<b>41,702</b>	<b>70,480</b>
<b>Non-current liabilities</b>			
Lease liabilities	8	7,375	7,541
Employee benefits		293	234
<b>Total non-current liabilities</b>		<b>7,668</b>	<b>7,775</b>
<b>Total liabilities</b>		<b>49,370</b>	<b>78,255</b>
<b>Net assets/(liabilities)</b>		<b>52,655</b>	<b>(20,723)</b>
<b>Equity</b>			
Issued capital	11	94,323	10,632
Reserves		154	-
Accumulated losses		(41,822)	(31,355)
<b>Total surplus / (deficiency) in equity</b>		<b>52,655</b>	<b>(20,723)</b>

The above statement of financial position should be read in conjunction with the accompanying notes.

**Consolidated Statement of Changes in Equity**  
**For the half-year ended 31 December 2020**

	Notes	Issued capital	Share based payment reserve	Accumulated losses	Total (deficiency) in equity
<b>Consolidated</b>		<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Balance at 30 June 2019</b>		10,632	-	(19,056)	(8,424)
Loss after income tax for the period				(1,645)	(1,645)
Total comprehensive loss for the period				(1,645)	(1,645)
<b>Balance at 31 December 2019</b>		<b>10,632</b>	<b>-</b>	<b>(20,701)</b>	<b>(10,069)</b>
		<b>Issued capital</b>	<b>Share based payment reserve</b>	<b>Accumulated losses</b>	<b>Total surplus/ (deficiency) in equity</b>
<b>Consolidated</b>		<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Balance at 30 June 2020</b>		10,632		(31,355)	(20,723)
Loss after income tax benefit for the period				(10,467)	(10,467)
Total comprehensive loss for the period				(10,467)	(10,467)
<b>Transactions with owners of the Company</b>					
Issue of ordinary shares		86,253			86,253
Costs associated with issue of ordinary shares		(2,562)			(2,562)
Arising from expense of share options issued under the Long-Term Incentive Plan	12		154		154
Total transactions with owners of the Company		83,691	154		83,845
<b>Balance at December 2020</b>		<b>94,323</b>	<b>154</b>	<b>(41,822)</b>	<b>52,655</b>

The above statement of changes in equity should be read in conjunction with the accompanying notes

**Consolidated Statement of Cash Flows**  
**For the half-year ended 31 December 2020**

	Notes	31 Dec 2020 \$'000	31 Dec 2019 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		171,486	90,363
Payments to suppliers & employees (inclusive of GST)		(162,493)	(88,487)
		<u>8,993</u>	<u>1,876</u>
Interest received		50	47
Interest and other finance costs paid		(274)	(338)
		<u></u>	<u></u>
<b>Net cash from operating activities</b>		<b><u>8,769</u></b>	<b><u>1,585</u></b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment	6	(8,129)	(1,880)
Payments for intangibles	7	(1,350)	(550)
Proceeds from disposal of property, plant and equipment		-	(7)
		<u></u>	<u></u>
<b>Net cash used in investing activities</b>		<b><u>(9,479)</u></b>	<b><u>(2,437)</u></b>
<b>Cash flows from financing activities</b>			
Payment of lease liabilities		(2,715)	(2,054)
Proceeds from issue of convertible notes (net of costs)			23,436
Repayment of borrowings		(5,000)	-
Payment for security deposits		(8)	(112)
Proceeds from issue of shares (net of costs)		37,438	-
		<u></u>	<u></u>
<b>Net cash from financing activities</b>		<b><u>29,715</u></b>	<b><u>21,270</u></b>
Net increase in cash and cash equivalents		29,005	20,418
Cash and cash equivalents at the beginning of the period		<u>21,435</u>	<u>490</u>
<b>Cash and cash equivalents at the end of the period</b>		<b><u>50,440</u></b>	<b><u>20,908</u></b>

The above statement of cash flows should be read in conjunction with the accompanying notes.

## **Notes to the financial statements**

### **For the half-year ended 31 December 2020**

#### **1. Reporting entity**

Aussie Broadband Limited (the 'Company') is a Company domiciled in Australia. These condensed consolidated interim financial statements ('interim financial statements') as at and for the six months ended 31 December 2020 comprise the Company and its subsidiaries (together referred to as the 'Group').

The annual financial statements of the Group are available at <https://www.aussiebroadband.com.au/investor-centre/>.

The principal activity of the Group is a national carrier of telecommunication services in Australia, focused on providing broadband, mobile and related services to its customers.

The registered office and principal place of business is located at 3 Electra Avenue Morwell VIC 3840.

#### **2. Basis of preparation**

These interim financial statements are general purpose financial statements prepared in accordance with AASB 134 *Interim Financial Reporting* and the Corporations Act 2001, and with IAS34 *Interim Financial Reporting* and have been prepared using the same accounting policies and methods of computation as the last consolidated annual financial statements.

They do not include all of the information required for a complete set of annual financial statements and we recommend that they are read in conjunction with the 2020 Annual Report and the public announcements made by the Group during the half-year. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes to the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 30 June 2020.

These consolidated financial statements also comply with the International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB').

#### **3. Critical accounting judgements, estimates and assumptions**

The preparation of the consolidated financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The significant judgements made by Management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements.

## Notes to the financial statements

### For the half-year ended 31 December 2020

#### 4. Segment information

For management purposes, the Group is organised into business units based on the types of customers it provides services to and has identified two reportable segments:

- The "Residential" segment, which provides telecommunications services focusing on providing NBN services to residential users.
- The "Business" segment, which provides telecommunications services focusing on providing NBN services to business users.

No operating segments have been aggregated to form the above reportable operating segments.

The Managing Director is identified as the Chief Operating Decision Maker ('CODM') and they monitor the operating results of the business units separately for the purpose of making decisions about resource allocation and performance assessment.

Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements.

There are no transfers between operating segments and Other represents income and expenses that are not allocated specifically to segments.

Half-year ended 31 December 2020	Residential \$'000	Business \$'000	Other \$'000	Total \$'000
Revenue	137,767	19,677		157,444
Network and hardware expenses	(103,197)	(12,256)		(115,453)
Employee expenses	(15,621)	(3,059)		(18,680)
Marketing expenses	(8,606)	(1,070)		(9,676)
Administration and other expenses	(4,591)	(511)	(1,190)	(6,292)
Total expenses	(132,015)	(16,896)	(1,190)	(150,101)
<b>Earnings before interest, tax, depreciation and amortisation (EBITDA)</b>	<b>5,752</b>	<b>2,781</b>	<b>(1,190)</b>	<b>7,343</b>
Depreciation and amortisation			(3,589)	(3,589)
Interest expense			(1,972)	(1,972)
Interest income and other income			24	24
Change in fair value of embedded derivative			(12,273)	(12,273)
<b>Profit/(Loss) before income tax</b>	<b>5,752</b>	<b>2,781</b>	<b>(19,000)</b>	<b>(10,467)</b>
Income tax benefit	-	-	-	-
<b>Profit/(Loss) after income tax</b>	<b>5,752</b>	<b>2,781</b>	<b>(19,000)</b>	<b>(10,467)</b>

**Notes to the financial statements**  
**For the half-year ended 31 December 2020**

**Note 4. Segment information (continued)**

<b>Half-year ended 31 December 2019</b>	<b>Residential \$'000</b>	<b>Business \$'000</b>	<b>Other \$'000</b>	<b>Total \$'000</b>
Revenue	72,407	10,978		<b>83,385</b>
Network and hardware expenses	(57,444)	(6,995)		<b>(64,439)</b>
Employee expenses	(7,467)	(1,406)		<b>(8,873)</b>
Marketing expenses	(2,676)	(326)		<b>(3,002)</b>
Administration and other expenses	(2,822)	(319)		<b>(3,141)</b>
<b>Total expenses</b>	<b>(70,409)</b>	<b>(9,046)</b>	<b>-</b>	<b>(79,455)</b>
<b>Earnings before interest, tax, depreciation and amortisation (EBITDA)</b>	<b>1,998</b>	<b>1,932</b>	<b>-</b>	<b>3,930</b>
Depreciation and amortisation			(2,493)	<b>(2,493)</b>
Interest expense			(3,090)	<b>(3,090)</b>
Interest income			8	<b>8</b>
Change in fair value of embedded derivative			291	<b>291</b>
<b>Profit/(Loss) before income tax</b>	<b>1,998</b>	<b>1,932</b>	<b>(5,284)</b>	<b>(1,354)</b>
Income tax benefit	-	-	-	-
<b>Profit/(Loss) after income tax</b>	<b>1,998</b>	<b>1,932</b>	<b>(5,284)</b>	<b>(1,354)</b>

**5. Revenue**

	<b>31 Dec 2020 \$'000</b>	<b>31 Dec 2019 \$'000</b>
<i>Disaggregation of revenue</i>		
<i>The disaggregation of revenue from contracts with customers is as follows:</i>		
Rendering of services	148,454	79,521
Sale of goods	8,957	3,823
Other income from customers	33	41
<b>Revenue from contracts with customers</b>	<b>157,444</b>	<b>83,385</b>
<i>Timing of revenue recognition</i>		
Services transferred at a point in time	9,391	4,048
Services transferred over time	148,053	79,337
	<b>157,444</b>	<b>83,385</b>

**Notes to the financial statements**  
**For the half-year ended 31 December 2020**

**6. Property Plant and Equipment**

	<b>31 Dec 2020</b>	<b>30 Jun 2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Leasehold improvements, at cost	474	446
Less: accumulated depreciation	<u>(243)</u>	<u>(223)</u>
	<u>231</u>	<u>223</u>
 Plant and equipment, at cost	 14,730	 13,544
Less: accumulated depreciation	<u>(10,830)</u>	<u>(9,988)</u>
	<u>3,900</u>	<u>3,556</u>
 Motor vehicles, at cost	 492	 492
Less: accumulated depreciation	<u>(379)</u>	<u>(365)</u>
	<u>113</u>	<u>127</u>
 Office & Computer equipment, at cost	 1,792	 1,394
Less: accumulated depreciation	<u>(754)</u>	<u>(566)</u>
	<u>1,038</u>	<u>828</u>
 Capital WIP	 <u>7,151</u>	 <u>674</u>
 <b>Total property, plant &amp; equipment at net book value</b>	 <b><u>12,433</u></b>	 <b><u>5,408</u></b>

Reconciliation of the written down values at the beginning and end of the current financial period are set out below:

	<b>Lease hold Improv't.</b>	<b>Plant &amp; Equip't</b>	<b>Motor Vehicles</b>	<b>Office &amp; Computer Equip't</b>	<b>Capital WIP</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Carrying amount at 1 July 2020</b>	<b>223</b>	<b>3,556</b>	<b>127</b>	<b>828</b>	<b>674</b>	<b>5,408</b>
Additions	28	1,275	-	398	6,477	<b>8,178</b>
Disposals		(30)				<b>(30)</b>
Depreciation expense	(20)	(901)	(14)	(188)	-	<b>(1,123)</b>
<b>Carrying amount at 31 December 2020</b>	<b><u>231</u></b>	<b><u>3,900</u></b>	<b><u>113</u></b>	<b><u>1,038</u></b>	<b><u>7,151</u></b>	<b><u>12,433</u></b>

Capital WIP is expenditure incurred on capital items that are incomplete and have not commenced depreciation. This principally consists of payments in relation to the development of the Group's fibre optic network.

**Notes to the financial statements**  
**For the half-year ended 31 December 2020**

**7. Intangibles**

	<b>31 Dec 2020</b>	<b>30 Jun 2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Software, at cost	5,095	4,484
Less: accumulated depreciation	(3,541)	(3,299)
	<u>1,554</u>	<u>1,185</u>
 IP Addresses	 1,963	 1,273
	<u>1,963</u>	<u>1,273</u>
 <b>Total intangible assets at net book value</b>	 <b><u>3,517</u></b>	 <b><u>2,458</u></b>

*Reconciliations*

Reconciliations of the carrying amounts of each class of intangible assets at the beginning and end of the current financial period are set out below.

	<b>Software</b>	<b>IP Addresses</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
 <b>Carrying amount at 1 July 2020</b>	 <b>1,185</b>	 <b>1,273</b>	 <b>2,458</b>
Additions	611	810	<b>1,421</b>
Disposals		(120)	<b>(120)</b>
Amortisation expense	(242)	-	<b>(242)</b>
<b>Carrying amount at 31 December 2020</b>	<b><u>1,554</u></b>	<b><u>1,963</u></b>	<b><u>3,517</u></b>

The amortisation expenses are recognised in profit or loss in 'depreciation and amortisation'.

IP Addresses with indefinite useful lives are tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Recent purchases confirm that the fair value of the asset is greater than its carrying value therefore no impairment indicators are present.

**8. Leases**

*Group as a lessee*

The Group has lease contracts for various offices, long-range data connections and specific equipment in connection with services provided to the Group by various data centres. Lease agreements are typically for fixed periods of three to five years but may have extension options as described below.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

## Notes to the financial statements

### For the half-year ended 31 December 2020

Set out below are the carrying amounts of ROU assets recognised and the movements during the current period:

	<b>Property</b>	<b>Network equipment</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>As at 1 July 2020</b>	<b>1,171</b>	<b>11,214</b>	<b>12,385</b>
Additions	-	3,153	3,153
Modification	496	50	546
Depreciation expense	(194)	(2,031)	(2,225)
<b>As at 31 December 2020</b>	<b>1,473</b>	<b>12,386</b>	<b>13,859</b>

Set out below are the carrying amounts of lease liabilities and the movements during the current period:

	<b>Property</b>	<b>Network equipment</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>As at 1 July 2020</b>	<b>1,155</b>	<b>10,395</b>	<b>11,550</b>
Additions	-	3,153	3,153
Modification	496	50	546
Accretion of interest	31	287	318
Payments	(175)	(2,540)	(2,715)
<b>As at 31 December 2020</b>	<b>1,507</b>	<b>11,345</b>	<b>12,852</b>

Current	5,477
Non-current	7,375

The Group has several lease contracts that include extension options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs.

The Group has determined that, with the exception of data network cable leases, it is reasonably certain of exercising all extension options in its current lease agreements. The potential future rental payments relating to periods following the exercise date of extension options have therefore been included in the measurement of lease liabilities.

Management exercises significant judgement in determining whether these extension options are reasonably certain to be exercised.

## 9. Borrowings

	<b>31 Dec 2020</b>	<b>30 Jun 2020</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current</b>		
Other debts - Longreach	500	5,500
Convertible notes	-	21,738
<b>Total</b>	<b>500</b>	<b>27,238</b>

### **Secured term bilateral facility agreement**

The Group entered into a secured term bilateral facility agreement with Longreach Credit Investment Limited and AMAL Trustees Limited as trustee for the Longreach Direct Lending Fund in December 2018.

The facility limit of the loan is \$5,500,000 and matures in February 2021. The Company repaid \$5,000,000 of the loan in December 2020.

## Notes to the financial statements

### For the half-year ended 31 December 2020

The rate of interest is 12% per annum and is paid in arrears on the last day of each calendar month and on the maturity date.

#### Convertible notes

In October 2019, the Group issued convertible notes to investors and raised \$25,000,000. Each note had a face value of \$100 and had a maturity date and an automatic redemption date of 18 months from the issue date – being April 2021, if the notes were not converted prior to this date. The convertible notes automatically converted to ordinary equity as a result of the IPO which occurred on 16 October 2020. The conversion price was the lesser of:

- The price per share that shares are issued to investors under the IPO (being \$1), or the price per share, less a discount of 20% (given the Conversion Event occurred prior to the first anniversary of the Issue Date and;
- The price per security in the Company determined using the aggregate value of all the securities in the Company on a pre-money, fully diluted basis (for the avoidance of doubt, taking into account the discount on the Conversion Price that would apply under paragraph (a) and any Coupon to be converted) as at the Conversion Date but up to a maximum valuation cap of \$90,000,000.

The Coupon was calculated on each note at 10% per annum from the issue date up to and including the conversion date if converted or the redemption date if the convertible notes are redeemed. The Coupon was capitalised and not paid to the Noteholder during the term that the Notes are on issue. The Coupon calculated and payable did not compound and was calculated on the basis of a 365-day year. The Coupon which totalled \$2,465,753, converted to ordinary equity at IPO.

The conversion resulted in the issue of 45,776,260 shares.

#### Reconciliation of convertible note in the current period

	<b>2020</b>
	<b>\$ '000</b>
Opening balance at 1 July 2020	21,738
Accreted interest	1,381
Converted to equity	(23,119)
<b>Carrying amount of liability as at 31 December 2020</b>	<b>-</b>

## 10. Fair values

Set out below is the classification of financial assets and liabilities according to their measurement bases together with their carrying amounts as reported on the balance sheet:

Note	31 December 2020			30 June 2020		
	At amortised cost \$'000	At fair value \$'000	Total \$'000	At amortised cost \$'000	At fair value \$'000	Total \$'000
<b>Financial assets</b>						
Cash and cash equivalents	50,440	-	50,440	21,435	-	21,435
Trade & other receivables	16,490	-	16,490	11,389	-	11,389
Financial Assets	2,184	-	2,184	2,175	-	2,175
<b>Total</b>	<b>69,114</b>	<b>-</b>	<b>69,114</b>	<b>34,999</b>	<b>-</b>	<b>34,999</b>
<b>Financial liabilities</b>						
Trade & other payables	18,878	-	18,878	16,115	-	16,115
Borrowings	500	-	500	5,500	-	5,500
Convertible note	-	-	-	21,738	-	21,738
Derivative	-	-	-	-	10,384	10,384
Lease liabilities	12,852	-	12,852	11,550	-	11,550
<b>Total</b>	<b>32,230</b>	<b>-</b>	<b>32,230</b>	<b>54,903</b>	<b>10,384</b>	<b>65,287</b>

**Notes to the financial statements**  
**For the half-year ended 31 December 2020**

**Reconciliation of derivative in the current period**

	<b>2020</b>
	<b>\$ '000</b>
Opening balance at 1 July 2020	10,384
Change in fair value during period	12,273
Converted to equity	(22,657)
<b>Carrying amount of liability as at 31 December 2020</b>	<b>-</b>

**11. Issued capital**

	<b>31 Dec 2020</b>	<b>30 Jun 2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Ordinary shares, fully paid	94,323	10,632

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings.

The shares do not have a par value.

Movements in ordinary share capital

	<b>Date</b>	<b>Shares</b>	<b>Issue Price</b>	<b>\$'000</b>
				<b>\$'000</b>
Opening balance	1 July 2020	10,650		10,632
Share Split	13 Sep 2020	104,076,116	-	-
Conversion of convertible note and interest	15 Oct 2020	45,776,260	\$1.00	45,776
Shares issued at IPO	15 Oct 2020	40,075,000	\$1.00	40,075
Employee gift shares issued at IPO	15 Oct 2020	402,000	\$1.00	402
IPO costs attributable to equity				(2,562)
<b>Closing balance</b>	<b>31 Dec 2020</b>	<b>190,340,026</b>		<b>94,323</b>

**12. Share-based payment arrangements**

On 28 August 2020 the Company established a Long-Term Incentive Plan which awarded share options to three members of key management personnel and five senior employees to purchase shares in the Company at a future date. The plan is designed to provide incentives to deliver long-term shareholder value. Under this plan, holders of vested options are entitled to purchase shares at the market price at grant and participation is at the discretion of the People & Community Committee by recommendation to the Board.

The terms and conditions of the share options granted during the half-year ended 31 December 2020 are as follows:

<b>Grant Date</b>	<b>Employees entitled</b>	<b>Number of options</b>
28 August 2020	Key management personnel	1,125,785
28 August 2020	Senior management	786,155

## Notes to the financial statements

### For the half-year ended 31 December 2020

The fair value of each share option granted has been measured as \$0.48 per option using a Black-Scholes model utilising the following inputs:

- Market price at grant - \$1.00 per share being the IPO offer price
- Exercise price of the option - \$1.00
- Vesting date – 1 July 2023
- Expiry date – 30 June 2026
- Expected share price volatility – 60.9% being based on the 12-month standard deviation of daily returns of 13 comparable companies
- Expected dividend yield – 1.5% pa
- Risk-free interest rate – 0.38% pa being the 5-year Australian Government bond yield

No options have vested or expired since grant and no options have been exercised or forfeited during the period.

On 15 October 2020 and as part of the IPO, all qualifying employees who elected to participate were issued \$1,000 of shares for no cash consideration under the Aussie Broadband Tax-Exempt Share Plan. A total of 402,000 shares were issued and the fair value of those shares was \$402,000 based on the IPO issue price of \$1.00.

On 15 October 2020 and as part of the IPO, three Directors were issued 25,000 shares each in recognition of the special exertions required during the course of the IPO. A total of 75,000 shares were issued and the fair value of those shares was \$75,000 based on the IPO issue price of \$1.00.

#### Expenses arising from share-based payment transactions

	\$
Long-term incentive plan share options	154,000
Employee share gift offer	402,000
Director special exertion shares	75,000
	<b>631,000</b>

### 13. Earnings per share

Basic EPS is calculated by dividing the profit for the period attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders of the Company (after adjusting for interest, amortisation of transaction costs and the fair value movements on the embedded derivative in relation to the convertible notes) by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

The following table reflects the income and share data used in the basic and diluted EPS calculations:

	31 Dec 2020	31 Dec 2019
Loss for the period (\$'000)	(10,467)	(1,354)
Weighted average number of shares in calculating basic EPS	79,054,544	10,650
Basic and diluted loss per share (\$)	(0.13)	(127.15)

## Notes to the financial statements

### For the half-year ended 31 December 2020

At December 2019, the convertible notes were excluded from the diluted weighted-average number of ordinary shares calculation because their effect would have been anti-dilutive.

At December 2020, the long term incentive plan share options were excluded from the diluted weighted-average number of ordinary shares calculation because their effect would have been anti-dilutive.

#### 14. Commitments

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

	<b>31 Dec 2020</b>	<b>30 Jun 2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Property, plant and equipment	2,918	5,392
<b>Total committed spend</b>	<b>2,918</b>	<b>5,392</b>

Capital commitments relate to contractual commitments associated with upgrades to network infrastructure and the development of the fibre optic network.

The Group had one lease contract that had not yet commenced as at 30 June 2020. The future lease payments for this non-cancellable lease contract was \$56,000 within one year, \$306,231 within the next five years and \$355,006 thereafter. This lease is included in lease liabilities at 31 December 2020.

#### 15. Events occurring after reporting date

There has not arisen in the interval between the end of the period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company, in future periods.

**Aussie Broadband Limited**  
**Directors' Declaration**  
**31 December 2020**

In the opinion of the Directors of Aussie Broadband Limited:

1. the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including:
  - a. giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the six month period ended on that date; and
  - b. complying with Australian Accounting Standard AASB134 Interim Financial Reporting and the Corporations Regulations 2001; and
2. there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors made pursuant to section 303(5) of the Corporations Act 2001.



Adrian Fitzpatrick  
Chairman



Phillip Britt  
Managing Director

16 February 2021



# Independent Auditor's Review Report

To the shareholders of Aussie Broadband Limited,

## Report on the Interim Financial Report

### Conclusion

We have reviewed the accompanying **Interim Financial Report** of Aussie Broadband Limited.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Interim Financial Report of Aussie Broadband Limited does not comply with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group's** financial position as at 31 December 2020 and of its performance for the **half-year** ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The **Interim Financial Report** comprises:

- Consolidated statement of financial position as at 31 December 2020
- Consolidated statement of profit or loss and other comprehensive income for the half-year ended 31 December 2020
- Consolidated statement of changes in equity for the half-year ended 31 December 2020
- Consolidated statement of cash flows for the half-year ended 31 December 2020
- Notes 1 to 15 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

The **Group** comprises Aussie Broadband Limited and the entities it controlled at the Half year's end or from time to time during the Half-year Period.

### Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.



## Responsibilities of the Directors for the Interim Financial Report

The Directors of the Group are responsible for:

- the preparation of the Interim Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*.
- such internal control as the Directors determine is necessary to enable the preparation of the Interim Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

## Auditor's Responsibilities for the Review of the Interim Financial Report

Our responsibility is to express a conclusion on the Interim Financial Report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the Interim Financial Report does not comply with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2020 and its performance for the Half-Year ended on that date, and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of an Interim 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.

KPMG

Suzanne Bell

Partner

Melbourne

16 February 2021