

Aussie Broadband Limited

ABN 29 132 090 192

Appendix 4D and Interim Financial Report for half-year ended 31 December 2022

1. Reporting periods:

Current: 1 July 2022 to 31 December 2022
Previous: 1 July 2021 to 31 December 2021

2. Results for announcement to the market:

	31 Dec 2022 \$'000	31 Dec 2021 \$'000	Change \$'000	Change %
Revenue from ordinary activities	378,991	229,320	149,671	65.3%
Profit from ordinary activities after tax attributable to members	8,569	1,391	7,178	516.0%
Net profit after tax attributable to members	8,569	1,391	7,178	516.0%

The company generated revenue of \$379.0m and a net profit after tax of \$8.6m for the period. The result reflects growth in revenue of 65.3% compared to the prior corresponding period due to the growth in broadband subscribers and other revenue streams and the impact of the inclusion of the results of Over the Wire Holdings Limited which was acquired in March 2022.

The net profit of \$1.4m at December 2021 included \$1.0m of costs associated with the then proposed acquisition of Over The Wire Limited (ASX: OTW).

No dividend has been proposed or declared in respect of the period ended 31 December 2022.

3. Net tangible assets

	31 Dec 2022	31 Dec 2021
Net tangible assets backing per share	\$(0.57)	\$0.82

4. Additional Information

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



Aussie Broadband Limited

ABN 29 132 090 192

Interim Financial Report - 31 December 2022

Aussie Broadband Limited

Directors' report

31 December 2022

The Directors present their report, together with the condensed consolidated interim financial statements, on the consolidated entity (referred to hereafter as the '**Group**') consisting of Aussie Broadband Limited (referred to hereafter as the '**Company**' or '**parent**') and the entities it controlled at the end of, or during, the half-year ended 31 December 2022.

Directors

The following persons were Directors of Aussie Broadband Limited during the whole of the financial half-year and up to the date of this report:

Adrian Fitzpatrick – Non-Executive Director and Chair
Patrick Greene – Non-Executive Director
Richard Dammary – Non-Executive Director
Vicky Papachristos – Non-Executive Director
Phillip Britt – Managing Director and Executive Director
Michael Omeros – Executive Director

Principal activities

The principal activity of the Group is a national carrier of telecommunications and technology services in Australia, servicing residential, business, wholesale and enterprise and government customers. There has been no significant change in the nature of this activity during the half-year.

Review of operations

The profit for the Group after providing for income tax for the period amounted to \$8,569,627 (31 December 2021: \$1,391,557).

Key items of note in the half-year include:

- Significant growth in EBITDA (before business acquisition and integration costs) to \$41.1m, with the first six months of FY23 exceeding the FY22 full year.
- Continued growth across all key product lines. At 31 December 2022 the Company had:
 - 635,242 Broadband connections, an increase of 50,449 since 30 June 2022
 - 50,951 Mobile services, an increase of 10,669 for the half-year since 30 June 2022.
 - 125,679,475 average voice minutes, an increase of 13,026,753 since 30 June 2022.
- Market share has continued to increase to 7.01% (excluding satellite) in a declining nbn[®] market.
- The new operating structure combining both Aussie Broadband and Over the Wire employees into a single team and organisation structure was implemented and this saw several efficiencies across the combined organisation as well as improved ways of working.
- Rationalising of product sets was undertaken, and the Company now has a single go-to-market strategy under the Aussie Broadband brand focused on residential, business, enterprise and government, and wholesale segments.
- Rollout of the Company's 1,200km core fibre network to nbn[®] POIs was completed, with Aussie fibre now directly connected to 86 of the 121 nbn[®] POIs (the remaining POI's are connected via 3rd parties). In addition to the 86 POIs, 22 major data centres are now connected.
- Over 170 commercial buildings are now connected to the Aussie fibre network and a new major project commenced to migrate over 1,000 high-speed business services off other carriers and onto the Aussie fibre network.

Significant changes in the state of affairs

On 16 December 2022 the Group executed agreements for the sale of 100% of the share capital of Zintel Communications Limited (a company incorporated in New Zealand) and the virtual receptionist business and assets of Zintel Communications Pty Ltd (known as "Fonebox"). The sale is subject to customary conditions and is expected to complete within the second half of FY23. The sale followed a strategic review of the businesses acquired as part of the Group's acquisition of Over The Wire Holdings in March 2022. The assets to be sold are not considered material (representing approximately 1% of Group revenue) and do not align with the future strategic direction of the Group.

There were no other significant changes in the state of affairs of the Group during the financial half-year.

Aussie Broadband Limited
Directors' report
31 December 2022

Matters subsequent to the end of the financial half-year

The Group has successfully requested and secured an extension of its working capital facility of \$15.0m, which was initially maturing in March 2023, and now matures in March 2024.

No other matter or circumstance has arisen since 31 December 2022 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Rounding of amounts

The Group is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, unless otherwise stated.

Auditor's independence declaration

The Auditor's Independence Declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this Directors' Report and forms part of it.

This report is made in accordance with a resolution of Directors, pursuant to section 298(2)(a) of the *Corporations Act 2001*.

On behalf of the Directors.



Phillip Britt
Managing Director

27 February 2023



Adrian Fitzpatrick
Chair

Aussie Broadband Limited
Auditor's independence declaration



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 2022 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.

KPMG

KPMG

S Bell

Suzanne Bell
Partner
Melbourne
27 February 2023

Aussie Broadband Limited
Interim Financial Report Contents
31 December 2022

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Aussie Broadband Limited
Condensed consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2022

	Note	Consolidated 31 Dec 2022 \$'000	31 Dec 2021 \$'000
Revenue	5	378,991	229,320
Network and hardware expenses		(246,818)	(167,459)
Employee benefits expense		(60,152)	(28,929)
Marketing expenses		(15,770)	(16,373)
Administration and other expenses		(15,188)	(7,445)
Depreciation and amortisation expense	9,10,11	(23,982)	(6,339)
Interest expenses		(4,273)	(399)
Business acquisition expenses		(60)	(1,003)
Business integration expenses		(297)	-
Other revenue		8	-
Profit before income tax		12,459	1,373
Income tax (expense)/benefit		(3,890)	18
Profit after income tax for the half-year		8,569	1,391
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		64	-
Other comprehensive income for the half-year, net of tax		64	-
Total comprehensive income for the half-year		8,633	1,391
		Cents	Cents
Basic earnings per share	17	3.61	0.66
Diluted earnings per share	17	3.59	0.65

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

Aussie Broadband Limited
Condensed consolidated statement of financial position
As at 31 December 2022

		Consolidated	
	Note	31 Dec 2022	30 Jun 2022
		\$'000	\$'000
Assets			
Current assets			
Cash and cash equivalents	6	33,659	47,722
Trade and other receivables	7	42,814	37,204
Inventories		6,756	4,793
Financial assets		1,112	1,109
Current tax asset		3,286	2,139
Prepayments		15,588	10,675
Assets classified as held for sale	8	5,209	-
Total current assets		<u>108,424</u>	<u>103,642</u>
Non-current assets			
Property, plant and equipment	9	82,988	64,120
Right of use assets	11	41,337	44,296
Intangibles	10	407,041	416,358
Financial assets		76	79
Total non-current assets		<u>531,442</u>	<u>524,853</u>
Total assets		<u>639,866</u>	<u>628,495</u>
Liabilities			
Current liabilities			
Trade and other payables	12	51,928	53,722
Contract liabilities		28,011	28,150
Financial Liabilities	13	37,393	76,835
Employee benefits		8,867	7,583
Deferred consideration		1,032	2,500
Liabilities classified as held for sale	8	659	-
Total current liabilities		<u>127,890</u>	<u>168,790</u>
Non-current liabilities			
Contract liabilities		1,816	-
Financial Liabilities	13	176,824	139,838
Deferred tax liability		54,022	50,345
Employee benefits		1,257	800
Total non-current liabilities		<u>233,919</u>	<u>190,983</u>
Total liabilities		<u>361,809</u>	<u>359,773</u>
Net assets		<u>278,057</u>	<u>268,722</u>
Equity			
Issued capital	14	298,406	298,288
Reserves		1,610	962
Accumulated losses		(21,959)	(30,528)
Total equity		<u>278,057</u>	<u>268,722</u>

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

Aussie Broadband Limited
Condensed consolidated statement of changes in equity
For the half-year ended 31 December 2022

Consolidated	Issued capital \$'000	Share based payments reserve \$'000	Foreign currency translation reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2022	298,288	1,016	(54)	(30,528)	268,722
Profit after income tax expense for the half-year	-	-	-	8,569	8,569
Other comprehensive income for the half-year, net of tax	-	-	64	-	64
Total comprehensive income for the half-year	-	-	64	8,569	8,633
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs (note 14)	118	-	-	-	118
Share-based payments (note 18)	-	584	-	-	584
Balance at 31 December 2022	<u>298,406</u>	<u>1,600</u>	<u>10</u>	<u>(21,959)</u>	<u>278,057</u>

	Issued capital \$'000	Share-based payment reserve \$'000	Foreign currency translation reserve \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2021	95,088	308	-	(35,849)	59,547
Profit after income tax benefit for the half-year	-	-	-	1,391	1,391
Other comprehensive income for the half-year, net of tax	-	-	-	-	-
Total comprehensive income for the half-year	-	-	-	1,391	1,391
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs	129,619	-	-	-	129,619
Share-based payments (note 18)	-	347	-	-	347
Balance at 31 December 2021	<u>224,707</u>	<u>655</u>	<u>-</u>	<u>(34,458)</u>	<u>190,904</u>

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

Aussie Broadband Limited
Condensed consolidated statement of cash flows
For the half-year ended 31 December 2022

		Consolidated	
	Note	31 Dec 2022	31 Dec 2021
		\$'000	\$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		412,470	249,091
Payments to suppliers and employees (inclusive of GST)		<u>(381,672)</u>	<u>(237,834)</u>
		30,798	11,257
Interest received		419	67
Other revenue		8	-
Interest cost paid		(3,980)	-
Income taxes paid		<u>(1,398)</u>	<u>-</u>
Net cash from operating activities		<u>25,847</u>	<u>11,324</u>
Cash flows from investing activities			
Payment for purchase of business, net of cash acquired		(1,325)	-
Payments for property, plant and equipment	9	(23,814)	(24,818)
Payments for intangibles	10	(7,420)	(146)
Proceeds from disposal of property, plant and equipment		<u>81</u>	<u>9</u>
Net cash used in investing activities		<u>(32,478)</u>	<u>(24,955)</u>
Cash flows from financing activities			
Proceeds from issue of shares (net of costs)	14	-	129,619
Repayment of lease liabilities	11	(7,431)	(4,962)
(Repayment) / Payments for security deposits		<u>(1)</u>	<u>159</u>
Net cash (used in)/from financing activities		<u>(7,432)</u>	<u>124,816</u>
Net (decrease)/increase in cash and cash equivalents		(14,063)	111,185
Cash and cash equivalents at the beginning of the financial half-year		<u>47,722</u>	<u>57,010</u>
Cash and cash equivalents at the end of the financial half-year		<u><u>33,659</u></u>	<u><u>168,195</u></u>

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

Aussie Broadband Limited

Notes to the condensed consolidated interim financial statements

For the half-year ended 31 December 2022

1. Reporting Entity

The condensed consolidated interim financial statements of Aussie Broadband Limited (referred to hereafter as the '**Company**' or '**parent**') and its subsidiaries (collectively, the '**Group**') for the half-year ended 31 December 2022 were authorised for issue in accordance with a resolution of the Directors on 24 February 2023.

Aussie Broadband Limited is a public company incorporated and domiciled in Australia. The financial statements are presented in Australian dollars, which is the functional currency of the parent and its subsidiaries and the presentation currency of the Group. The consolidated annual financial statements of the Group as at and for the year ended 30 June 2022 are available at <https://www.aussiebroadband.com.au/investor-centre/>.

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

The principal activity of the Group is a national carrier of telecommunications and technology services in Australia, servicing residential, business, wholesale and enterprise and government customers.

2. Basis of preparation

These condensed consolidated interim financial statements (referred to hereafter as the 'interim financial statements') are general purpose financial statements of the Group for the half-year ended 31 December 2022. These have been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

These interim financial statements also comply with the International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB'). Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

They have been prepared using the same accounting policies and methods of computation as the last annual consolidated financial statements as at and for the year ended 30 June 2022.

They do not include all of the information required for a complete set of annual consolidated financial statements and we recommend that they are read in conjunction with the 2022 Annual Report and the public announcements made by the Group during the interim half-year reporting period ended 31 December 2022. 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 2022.

Going concern

The interim financial statements have been prepared on a going concern basis which contemplates the continuity of business operations, realisation of assets, and settlement of liabilities in the ordinary course of business and at the amounts stated in the financial report. The Group recorded a profit after tax for the half year of \$8.6m (31 Dec 2021: profit of \$1.3m). The Group has net assets of \$278.1m (30 June 2022: \$268.7m) and its current liabilities exceed current assets by \$19.5m as of 31 Dec 2022 (30 June 2022: \$65.1m).

The Directors' opinion that the Group is a going concern is based on a number of considerations including, but not limited to:

- The nature of the current liabilities which include:
 - customer prepayments of \$29.8m for which there is not expected to be any direct cash outflow; and
 - a revolving working capital facility of \$15m which was originally maturing in March 2023, will now mature in March 2024;
- The Group has strong operating cash flows;
- The Group has ready access to the capital markets should it be necessary to raise additional funds; and,
- The Group has the ability to alter its strategies, plans and operations to operate within the parameters of its available cash resources.

In the opinion of the Directors, there is a reasonable expectation that the Group will have adequate resources to continue to operate as a going concern and meet its obligations as they fall due in the foreseeable future.

Aussie Broadband Limited
Notes to the condensed consolidated interim financial statements
For the half-year ended 31 December 2022

2. Basis of preparation (continued)

Principles of consolidation

The interim financial statements incorporate the assets and liabilities of all subsidiaries of the Company as at 31 December 2022 and the results of the Company and all subsidiaries for the half-year then ended.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 31 December 2022. The Group has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

Non-current assets or disposal groups classified as held for sale

Non-current assets and assets of disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continued use. They are measured at the lower of their carrying amount and fair value less costs of disposal. For non-current assets or assets of disposal groups to be classified as held for sale, they must be available for immediate sale in their present condition and their sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write down of the non-current assets and assets of disposal groups to fair value less costs of disposal. A gain is recognised for any subsequent increases in fair value less costs of disposal of a non-current assets and assets of disposal groups, but not in excess of any cumulative impairment loss previously recognised.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of assets held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current assets. The liabilities of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current liabilities.

Rounding of amounts

The Company is of a kind referred to in *ASIC Corporations (Rounding in Financials/Directors' Reports) Instruments 2016/191* and in accordance with the legislative instrument, amounts in the consolidated interim financial statements have been rounded off to the nearest thousand dollars, unless otherwise stated.

Comparative figures

Comparatives have been reclassified to be consistent with the presentation in the current year.

Aussie Broadband Limited
Notes to the condensed consolidated interim financial statements
31 December 2022

3. Significant accounting judgements, estimates and assumptions

The preparation of the interim 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 consolidated financial statements as at and for the year ended 30 June 2022.

4. Operating segments

Identification of reportable operating segments

The Group is organised into business units based on the types of customers it provides services to and has identified four reportable segments:

- The "Residential" segment, which provides telecommunications services to residential users.
- The "Business" segment, which provides telecommunications services to business users.
- The "Wholesale" segment which provides telecommunication services to third party resellers.
- The "Enterprise and Government" segment is a newly added segment in the half year ending 31 December 2022. It provides telecommunications services to large enterprises including those in the public sector.

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 he monitors the operations and operating results of the segments separately for the purpose of making decisions about resource allocation and performance assessment.

The CODM reviews the performance of individual segments, together with segmental 'margin'. The segment margin constitutes revenue and applicable network and hardware expenses attributable to a segment. The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

There are no transfers between operating segments.

The information reported to the CODM is on a monthly basis.

Aussie Broadband Limited
Notes to the condensed consolidated interim financial statements
For the half-year ended 31 December 2022

4. Operating segments (continued)

Operating segment information

Consolidated - 31 Dec 2022	Residential \$'000	Business \$'000	Wholesale \$'000	Enterprise and Government \$'000	Total \$'000
Revenue	243,045	49,963	49,411	36,572	378,991
Network and hardware expenses	(170,990)	(27,026)	(31,360)	(17,442)	(246,818)
Gross margin	72,055	22,937	18,051	19,130	132,173
Employee benefits expense					(60,152)
Marketing expenses					(15,770)
Administration and other expenses					(15,188)
Depreciation and amortisation					(23,982)
Interest expenses					(4,273)
Business acquisition expenses					(60)
Business integration expenses					(297)
Other revenue					8
Profit before income tax					12,459
Income tax expense					(3,890)
Profit after income tax					8,569

Consolidated - 31 Dec 2021 (restated)	Residential \$'000	Business \$'000	Wholesale \$'000	Enterprise and Government \$'000	Total \$'000
Revenue	193,431	22,052	8,580	5,257	229,320
Network and hardware expenses	(144,941)	(14,065)	(6,183)	(2,271)	(167,459)
Gross margin	48,490	7,987	2,398	2,986	61,861
Employee benefits expense					(28,929)
Marketing expenses					(16,373)
Administration and other expenses					(7,445)
Depreciation and amortisation expense					(6,339)
Interest expenses					(399)
Business acquisition expenses					(1,003)
Profit before income tax					1,373
Income tax benefit					18
Profit after income tax					1,391

Aussie Broadband Limited
Notes to the condensed consolidated interim financial statements
31 December 2022

5. Revenue

	Consolidated	
	31 Dec 2022	31 Dec 2021
	\$'000	\$'000
<i>Revenue from contracts with customers</i>		
Revenue	<u>378,991</u>	<u>229,320</u>
Disaggregation of revenue		
Rendering of services	366,837	220,779
Sale of goods	11,844	8,361
Other income from customers	<u>310</u>	<u>180</u>
Revenue from contracts with customers	<u>378,991</u>	<u>229,320</u>
<i>Timing of revenue recognition</i>		
Services transferred over time	361,961	220,348
Services transferred at a point in time	<u>17,030</u>	<u>8,972</u>
	<u>378,991</u>	<u>229,320</u>

6. Cash and cash equivalents

	Consolidated	
	31 Dec 2022	30 Jun 2022
	\$'000	\$'000
<i>Current assets</i>		
Cash on hand	3	3
Cash at bank	<u>33,656</u>	<u>47,719</u>
	<u>33,659</u>	<u>47,722</u>

7. Trade and other receivables

	Consolidated	
	31 Dec 2022	30 Jun 2022
	\$'000	\$'000
<i>Current assets</i>		
Trade receivables	37,794	31,694
Less: Allowance for expected credit losses	(2,573)	(1,559)
Less: Classified as held for sale	<u>(276)</u>	<u>-</u>
	<u>34,945</u>	<u>30,135</u>
Other receivables	<u>7,869</u>	<u>7,069</u>
	<u>42,814</u>	<u>37,204</u>

8. Assets and liabilities classified as held for sale

On 16 December 2022, a 'Business Sale Agreement' was executed in relation to the disposal of 100% of the share capital of Zintel Communications Limited (a company incorporated in New Zealand) and the virtual receptionist business and assets of Zintel Communications Pty Ltd (known as "Fonebox"). At 31 December 2022 the transaction remains subject to customary conditions and completion is anticipated within the second half of FY23.

Aussie Broadband Limited
Notes to the condensed consolidated interim financial statements
For the half-year ended 31 December 2022

8. Assets and liabilities classified as held for sale (continued)

The Group has accounted for this transaction in accordance with AASB 5 as Assets Held for Sale. As of 31 December 2022, the net assets classified as held for sale comprise assets of \$5.2m less liabilities of \$0.7m, detailed as follows:

	Consolidated	
	31 Dec 2022	30 Jun 2022
	\$'000	\$'000
<i>Current assets</i>		
Trade and other receivables	276	-
Prepayments	13	-
Current tax asset	19	-
Property, plant and equipment	34	-
Intangibles	4,779	-
Right of use assets	68	-
Deferred tax asset	20	-
	<hr/>	<hr/>
Total assets classified as held for sale	5,209	-
	<hr/> <hr/>	<hr/> <hr/>
<i>Current liabilities</i>		
Trade payables	108	-
Other creditors	29	-
Accrued expenses	19	-
Contract liabilities	294	-
Employee provisions	140	-
Lease liabilities	69	-
	<hr/>	<hr/>
Total liabilities classified as held for sale	659	-
	<hr/> <hr/>	<hr/> <hr/>

Assets held for sale are carried at the lower of cost or fair value less cost of disposal (FVLCD). If the FVLCD is below the carrying amount, an impairment loss is realised. Given the indicative sale price per the executed Business and Sale Agreement of \$6.5m exceeds the carrying amount of such net assets classified as held for sale, no impairment loss has been recognised at 31 December 2022.

Aussie Broadband Limited
Notes to the condensed consolidated interim financial statements
For the half-year ended 31 December 2022

9. Property, plant and equipment

	Consolidated	
	31 Dec 2022	30 Jun 2022
	\$'000	\$'000
Leasehold improvements - at cost	4,009	3,917
Less: Accumulated depreciation	(1,828)	(1,607)
	<u>2,181</u>	<u>2,310</u>
Plant and equipment - at cost	105,448	91,419
Less: Accumulated depreciation	(51,586)	(47,867)
Less: Classified as held for sale	(34)	-
	<u>53,828</u>	<u>43,552</u>
Motor vehicles - at cost	630	652
Less: Accumulated depreciation	(396)	(403)
	<u>234</u>	<u>249</u>
Computer equipment - at cost	6,077	5,171
Less: Accumulated depreciation	(2,904)	(2,324)
	<u>3,173</u>	<u>2,847</u>
Capital Work in progress	<u>23,572</u>	<u>15,162</u>
	<u><u>82,988</u></u>	<u><u>64,120</u></u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

Consolidated	Leasehold improvements	Plant and equipment	Motor vehicles	Computer equipment	Capital Work in progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2022	2,310	43,552	249	2,847	15,162	64,120
Additions	92	4,800	85	907	17,930	23,814
Disposals	-	(48)	(64)	(1)	-	(113)
Transfers in/(out)	-	9,520	-	-	(9,520)	-
Depreciation expense	(221)	(3,962)	(36)	(580)	-	(4,799)
Classified as held for sale	-	(34)	-	-	-	(34)
Balance at 31 December 2022	<u>2,181</u>	<u>53,828</u>	<u>234</u>	<u>3,173</u>	<u>23,572</u>	<u>82,988</u>

Aussie Broadband Limited
Notes to the condensed consolidated interim financial statements
For the half-year ended 31 December 2022

10. Intangibles

	Consolidated	
	31 Dec 2022	30 Jun 2022
	\$'000	\$'000
Goodwill - at cost	239,236	239,236
IPv4 Addresses - at cost	12,062	5,932
Customer relationships - at cost	144,600	144,600
Less: Accumulated amortisation	(11,506)	(4,276)
Less: Classified as held for sale	(4,064)	-
	<u>129,030</u>	<u>140,324</u>
Software - at cost	34,024	32,734
Less: Accumulated amortisation	(9,727)	(6,299)
Less: Classified as held for sale	(715)	-
	<u>23,582</u>	<u>26,435</u>
Brands - at cost	5,200	5,200
Less: Accumulated amortisation	(2,069)	(769)
	<u>3,131</u>	<u>4,431</u>
	<u><u>407,041</u></u>	<u><u>416,358</u></u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

Consolidated	Goodwill	IPv4	Customer	Software	Brands	Total
	\$'000	Addresses	relationships	\$'000	\$'000	\$'000
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2022	239,236	5,932	140,324	26,435	4,431	416,358
Additions	-	6,130	-	1,290	-	7,420
Amortisation expense	-	-	(7,230)	(3,428)	(1,300)	(11,958)
Classified as held for sale	-	-	(4,064)	(715)	-	(4,779)
	<u>239,236</u>	<u>12,062</u>	<u>129,030</u>	<u>23,582</u>	<u>3,131</u>	<u>407,041</u>

IPv4 Addresses have an indefinite useful life. The Group determined that this assessment remained appropriate because there is a finite number of these IP Addresses which for the foreseeable future will remain widely used globally. The Group will continue to monitor the useful life of the IP Addresses and make changes to the useful life as appropriate. IP Addresses are subsequently measured at cost less any accumulated impairment loss.

Aussie Broadband Limited
Notes to the condensed consolidated interim financial statements
For the half-year ended 31 December 2022

11. Leases

	Consolidated	
	31 Dec 2022	30 Jun 2022
	\$'000	\$'000
<i>Non-current assets</i>		
Network equipment	45,858	43,707
Less: Accumulated depreciation	(24,875)	(21,791)
	<u>20,983</u>	<u>21,916</u>
Property	24,113	24,223
Less: Accumulated depreciation	(3,691)	(1,843)
Less: Classified as held for sale	(68)	-
	<u>20,354</u>	<u>22,380</u>
	<u><u>41,337</u></u>	<u><u>44,296</u></u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

Consolidated	Property \$'000	Network equipment \$'000	Total \$'000
Balance at 1 July 2022	22,380	21,916	44,296
Additions	-	3,075	3,075
Modification	-	1,259	1,259
Depreciation expense	(1,958)	(5,267)	(7,225)
Classified as held for sale	(68)	-	(68)
	<u>20,354</u>	<u>20,983</u>	<u>41,337</u>

Reconciliations

Set out below are the carrying amounts of lease liabilities (included under note 13 Financial Liabilities) and the movements during the period:

Consolidated	Property \$'000	Network equipment \$'000	Total \$'000
Balance at 1 July 2022	22,886	19,807	42,693
Additions	-	3,075	3,075
Modification	-	1,259	1,259
Accretion of interest	357	293	650
Disposals	-	-	-
Payments	(1,954)	(5,477)	(7,431)
Classified as held for sale	(69)	-	(69)
	<u>21,220</u>	<u>18,957</u>	<u>40,177</u>

Aussie Broadband Limited
Notes to the condensed consolidated interim financial statements
For the half-year ended 31 December 2022

12. Trade and other payables

	Consolidated	
	31 Dec 2022	30 Jun 2022
	\$'000	\$'000
<i>Current liabilities</i>		
Trade payables	30,268	34,929
Accrued charges	16,255	15,240
Other creditors	5,562	3,553
Less: Classified as held for sale	(157)	-
	<u>51,928</u>	<u>53,722</u>

13. Financial Liabilities

	Consolidated	
	31 Dec 2022	30 Jun 2022
	\$'000	\$'000
Borrowings	174,041	173,980
Lease liability (note 11)	40,177	42,693
	<u>214,218</u>	<u>216,673</u>
<i>Current liabilities</i>		
Borrowings	24,550	64,466
Lease liability	12,843	12,369
	<u>37,393</u>	<u>76,835</u>
<i>Non-current liabilities</i>		
Borrowings	149,490	109,514
Lease liability	27,334	30,324
	<u>176,824</u>	<u>139,838</u>

14. Issued capital

	Consolidated			
	31 Dec 2022	30 Jun 2022	31 Dec 2022	30 Jun 2022
	Shares	Shares	\$'000	\$'000
Ordinary shares - fully paid	<u>237,665,276</u>	<u>237,623,165</u>	<u>298,406</u>	<u>298,288</u>

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$'000
Balance	1 July 2022	237,623,165		298,288
Shares issued pursuant to the NED Share Plan	26 August 2022	<u>42,111</u>	\$2.81	<u>118</u>
Balance	31 December 2022	<u>237,665,276</u>		<u>298,406</u>

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

Aussie Broadband Limited
Notes to the condensed consolidated interim financial statements
For the half-year ended 31 December 2022

14. Issued capital (continued)

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

The ordinary shares do not have a par value.

15. Fair values

Set out below is a comparison, by class, of the carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that are reasonable approximations of fair values.

Classification of financial assets and financial liabilities

Set out below is the classification of financial assets and liabilities according to their measurement bases together with their carrying amounts as reported in the Statement of Financial Position:

Trade and other receivables and trade and other payables classified as held for sale are not included in the table below (refer to note 8). The carrying amount is a reasonable approximation of fair value.

Consolidated - 31 Dec 2022	At Amortised cost \$'000	At Fair values \$'000	Total \$'000
<i>Financial Assets</i>			
Cash and cash equivalents (note 6)	33,659	-	33,659
Trade and other receivables (note 7)	42,814	-	42,814
Financial assets	1,188	-	1,188
Total assets	77,661	-	77,661
<i>Financial Liabilities</i>			
Trade and other payables (note 12)	51,928	-	51,928
Borrowings (note 13)	174,041	-	174,041
Lease liabilities (note 13)	40,177	-	40,177
Deferred consideration	-	1,032	1,032
Contract liabilities	29,827	-	29,827
Total liabilities	295,973	1,032	297,005
Consolidated - 30 Jun 2022	At amortised cost \$'000	At fair value \$'000	Total \$'000
<i>Financial Assets</i>			
Cash and cash equivalents	47,722	-	47,722
Trade and other receivables	37,204	-	37,204
Financial assets	1,188	-	1,188
Total assets	86,114	-	86,114
<i>Financial Liabilities</i>			
Trade and other payables	53,722	-	53,722
Borrowings	173,980	-	173,980
Lease liabilities	42,693	-	42,693
Deferred consideration	-	2,500	2,500
Contract liabilities	28,150	-	28,150
Total liabilities	298,545	2,500	301,045

Aussie Broadband Limited
Notes to the condensed consolidated interim financial statements
For the half-year ended 31 December 2022

15. Fair values (continued)

Fair value hierarchy - financial assets and liabilities measured at fair value

Set out below is the assets and liabilities carried at fair value:

Consolidated	Deferred consideration \$'000	Total \$'000
Balance at 1 July 2022	2,500	2,500
Repayments	(1,468)	(1,468)
	<hr/>	<hr/>
Balance at 31 December 2022	1,032	1,032
	<hr/> <hr/>	<hr/> <hr/>

16. Commitments

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

	Consolidated	
	31 Dec 2022	30 Jun 2022
	\$'000	\$'000
<i>Capital commitments</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Property, plant and equipment	5,594	8,592
	<hr/>	<hr/>

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

17. Earnings per share

	Consolidated	
	31 Dec 2022	31 Dec 2021
	\$'000	\$'000
Profit after income tax	8,569	1,391
	<hr/> <hr/>	<hr/> <hr/>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	237,653,564	211,339,735
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares	1,113,874	1,535,446
	<hr/>	<hr/>
Weighted average number of ordinary shares used in calculating diluted earnings per share	238,767,438	212,875,181
	<hr/> <hr/>	<hr/> <hr/>
	Cents	Cents
Basic earnings per share	3.61	0.66
Diluted earnings per share	3.59	0.65

Aussie Broadband Limited
Notes to the condensed consolidated interim financial statements
31 December 2022

18. Share-based payments

Under the Company's Long-Term Incentive Plan the members of Key Management Personnel and other senior employees have been awarded options 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 Board following recommendations by the People and Community Committee.

The terms and conditions of the share options granted during the half-year ended 31 December 2022, together with the valuation approach are as follows. The fair value of each share option granted has been measured as \$1.58 per option using a Black-Scholes model involving the following inputs:

- Volume of options granted: 874,825
- Grant date: 01 July 2022
- Market price at grant date: \$3.30 per share being the 10-day volume weighted average price (VWAP) up to and including 1 July 2022.
- Vesting date: 01 July 2025
- Expiry date: 30 June 2028
- Strike price of the option: \$3.30
- Expected share price volatility: 55%
- Expected dividend yield: 1.5%
- Risk free interest rate: 3.232%
- Fair value per option: \$1.58

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

The Company has established a Non-Executive Directors' Fee Sacrifice Plan under which directors can elect to sacrifice some or all of their directors' fees in exchange for rights to acquire shares in the Company, such rights to convert to shares (referred as 'NED Rights') with no additional price payable on dates determined by the Directors which will generally be following the half and full year financial results announcement.

On 1 July 2022, 34,665 NED Rights were granted. On 26 August 2022, 42,111 NED rights were converted to ordinary shares (upon conversion of FY22 NED Rights) which were issued to the respective Non-Executive Directors as new shares.

Expense arising from share-based payment transactions

	Consolidated	
	31 Dec 2022	31 Dec 2021
	\$'000	\$'000
Long-term Incentive plan share options	<u>584</u>	<u>347</u>

19. Matters subsequent to the end of the half-year

The Group has successfully requested and secured an extension of its working capital facility of \$15.0m, which was initially maturing in March 2023, and now matures in March 2024.

No other matter or circumstance has arisen since 31 December 2022 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Aussie Broadband Limited
Directors' declaration
For the half-year ended 31 December 2022

In the opinion of the Directors of Aussie Broadband Limited (the 'Group'):

- the Condensed Interim Financial Statements and accompanying notes are in accordance with the Corporations Act 2001, including:
 - i. giving a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the financial half-year ended on that date; and,
 - ii. complying with Australian Accounting Standard AASB 134 '*Interim Financial Reporting*', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- 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 Board of Directors made pursuant to section 303(5)(a) of the *Corporations Act 2001*.

On behalf of the directors



Phillip Britt
Managing Director



Adrian Fitzpatrick
Chair

27 February 2023



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 2022 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:

- Condensed consolidated statement of financial position as at 31 December 2022
- Condensed consolidated statement of profit or loss and other comprehensive income, Condensed consolidated statements of changes in equity and Condensed consolidated statement of cash flows for the half-year ended on that date
- Notes 1 to 19 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

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

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.

Aussie Broadband Limited

Independent auditor's review report to the members of Aussie Broadband Limited



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 2022 and its performance for the Interim Period 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.

A handwritten signature of 'KPMG' in blue ink, written in a cursive style.

KPMG

A handwritten signature of 'Suzanne Bell' in blue ink, written in a cursive style.

Suzanne Bell
Partner
Melbourne
27 February 2023