

**NETLINK NBN TRUST  
AND ITS SUBSIDIARIES**

**FINANCIAL STATEMENTS ANNOUNCEMENT  
FOR THE SECOND QUARTER  
AND  
HALF YEAR ENDED 30 SEPTEMBER 2019**

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# NetLinkNBN

*the fibre of a smart nation*

## **NETLINK NBN TRUST AND ITS SUBSIDIARIES**

**FOR THE SECOND QUARTER AND HALF YEAR ENDED 30 SEPTEMBER 2019**

### **INTRODUCTION**

NetLink NBN Trust (the “Trust”) is a business trust constituted in Singapore pursuant to a trust deed dated 19 Jun 2017 under the laws of the Republic of Singapore. The Trust was dormant from the date of its constitution until it acquired all the units of NetLink Trust (“NLT”) on 19 Jul 2017, the date on which the Trust was listed (“Listing Date”) on the Main Board of the Singapore Exchange Securities Trading Limited (“SGX-ST”). The Trust and its subsidiaries taken as a whole shall hereinafter be referred to as “NetLink Group” or “Group”.

The NetLink Group’s nationwide network is the foundation of the Next Generation National Broadband Network (“Next Gen NBN”), over which ultra-high speed internet access is delivered throughout mainland Singapore and its connected islands. The NetLink Group designs, builds, owns and operates the passive fibre network infrastructure (comprising ducts, manholes, fibre cables and central offices) of Singapore’s Next Gen NBN. The NetLink Group’s extensive network provides nationwide coverage to residential homes and non-residential premises in mainland Singapore and its connected islands.

The principal services provided by the NetLink Group are as follows: (i) the use of the NetLink Group’s network for the purpose of end-user fibre connections, currently for broadband, internet-protocol TV and voice-over internet protocol services, (ii) the use of the other passive infrastructure to provide fibre connections, and (iii) the provision of other non-fibre ancillary services.

With respect to the use of the NetLink Group’s network for the purpose of end-user fibre connections, the network provides three separate connections: (a) residential end-user connections, (b) non-residential end-user connections, and (c) non-building address points (“NBAP”) connections. The provision of mandated services set forth in its facilities-based operations licence by the NetLink Group is regulated, whereby the NetLink Group must offer such services to all Qualifying Persons in Singapore, with each requesting Qualifying Person being a Requesting Licensee (“RL”), at regulated prices, without preference or discrimination.

The NetLink Group is the only telco regulated by IMDA under the Regulated Asset Base (“RAB”) regime which allows it to recover the cost of investment, operating expenditure and earn a regulated rate of return for its fibre network assets. About 80% of revenue is derived from RAB-regulated assets, while the remaining 20% is contributed by the provision of other services and rental of space either at regulated rates or under long-term contracts.

## NETLINK NBN TRUST AND ITS SUBSIDIARIES

FOR THE SECOND QUARTER AND HALF YEAR ENDED 30 SEPTEMBER 2019

### SUMMARY OF THE NETLINK GROUP RESULTS

	Quarter ended 30 Sep			Half year ended 30 Sep		
	2019	2018	Variance	2019	2018	Variance
	("Q2 FY20")	("Q2 FY19")		("H1 FY20")	("H1 FY19")	
S\$'000	S\$'000	%	S\$'000	S\$'000	%	
	(Unaudited)	(Unaudited)		(Unaudited)	(Unaudited)	
<b>Revenue</b> <sup>(1)</sup>	94,072	90,594	3.8	186,113	176,706	5.3
<b>EBITDA</b> <sup>(2)(3)</sup>	68,660	61,239	12.1	135,186	122,231	10.6
<b>EBITDA margin</b> <sup>(2)(3)</sup>	73.0%	67.6%	5.4 pp	72.6%	69.2%	3.4 pp
<b>Profit after tax</b> <b>("PAT")</b> <sup>(2)</sup>	23,185	18,687	24.1	44,118	37,709	17.0

#### Note:

(1) Revenue for Q2 FY20 and H1 FY20 were higher than Q2 FY19 and H1 FY19 by 3.8% and 5.3% respectively mainly due to higher residential connections and installation-related revenue, partially offset by lower ducts and manholes service and diversion revenue.

(2) EBITDA and PAT for Q2 FY20 were higher than Q2 FY19 by 12.1% and 24.1% respectively. EBITDA and PAT for H1 FY20 were higher than H1 FY19 by 10.6% and 17.0% respectively. The increase in Q2 FY20 EBITDA was mainly due to higher revenue and lower installation costs and other operating expenses, partially offset by higher staff costs. The increase in H1 FY20 EBITDA was mainly due to higher revenue and lower other operating expenses, partially offset by higher staff costs.

EBITDA margin for Q2 FY20 at 73.0% was higher than Q2 FY19 by 5.4 percentage point and EBITDA margin for H1 FY20 at 72.6% was higher than H1 FY19 by 3.4 percentage point respectively partly due to the impact from the adoption of Singapore Financial Reporting Standard (International) 16 – Leases ("SFRS(I) 16") where operating leases are capitalised as right-of-use assets and amortised over the period of the lease. Excluding the impact of SFRS(I) 16, EBITDA margin for Q2 FY20 would have been 72.2%, 4.6 percentage point higher compared to 67.6% for Q2 FY19; and for H1 FY20, the EBITDA margin would have been 71.8%, 2.6 percentage point higher compared to 69.2% for H1 FY19.

Further details of the NetLink Group's financial performance are provided in Note 16.

(3) EBITDA is a non-SFRS financial measure and represents operating profit before depreciation and amortisation expense, net finance costs and income tax expense. EBITDA and EBITDA margin are supplemental financial measures of the NetLink Group's performance and liquidity, and are not required by, or presented in accordance with SFRS, IFRS, Singapore Financial Reporting Standards (International), U.S. GAAP or any other generally accepted accounting principles. Furthermore, EBITDA and EBITDA margin are not measures of financial performance or liquidity, and should not be considered as alternatives to net income, operating income or any other performance measures derived in accordance with SFRS, IFRS, Singapore Financial Reporting Standards (International), U.S. GAAP or any other generally accepted accounting principles.

## NETLINK NBN TRUST AND ITS SUBSIDIARIES

FOR THE SECOND QUARTER AND HALF YEAR ENDED 30 SEPTEMBER 2019

### DISTRIBUTION STATEMENT

	H1 FY20 S\$'000 (Unaudited)	H1 FY19 S\$'000 (Unaudited)
<b>Cash Available For Distribution ("CAFD")</b>		
Profit before income tax	42,188	33,941
Add: Depreciation and amortisation	83,821	79,806
Add: Other non-cash item	1,004	1,977
Add/(Less): Changes in working capital	7,567	(5,227)
Add: Proceeds from revolving loan facility	-	45,000
Less: Cash taxes	(290)	(3,330)
Less: Purchase of property, plant and equipment	(43,878)	(39,403)
Less: Repayment of lease liabilities <sup>(a)</sup>	(1,500)	-
Less: Payment of loan arrangement fee	(8)	(8)
Transfer from /(into): Cash held in reserves and provisions for capital expenditures and working capital including carve-out for Capex Reserve <sup>(1)</sup> (see Distribution Policy)	9,300	(17,670)
<b>CAFD</b>	<u>98,204</u>	<u>95,086</u>
<b>Distributions Attributable for the Half Year</b>	<u><b>98,204</b></u>	<u><b>95,086</b></u>

#### Note:

(1) Capex Reserve comprises monies set aside each year for at least 20% of capital expenditure reserve fund, which cumulates to S\$40.0 million over the five-year period from 1 Jan 2018 to 31 Dec 2022, to meet regulatory requirements from Info-communications Media Development Authority ("IMDA") or for any new network infrastructure projects that improve the capacity, technology, capability or resilience of NLT's network infrastructure. On a quarterly basis, NLT will set aside additional funds in the capital expenditure reserve on a pro-rata basis computed based on the yearly requirement of S\$8.0 million. As at 30 Sep 2019, NLT has set aside S\$14.0 million for capital expenditure reserve of which approximately S\$2.5 million were utilised to increase network resiliency and capacity.

#### Capital expenditure reserve fund

	S\$'000 (Unaudited)
Opening balance as at 31 Mar 2019	10,000
Addition	4,000
Utilised to increase network resiliency and capacity	(2,469)
<b>Closing balance as at 30 Sep 2019</b>	<u><b>11,531</b></u>

#### (2) Total distributions paid/payable

	H1 FY20 S\$'000 (Unaudited)	H1 FY19 S\$'000 (Unaudited)	Payment Date
1 Apr 2018 – 30 Sep 2018	-	95,086	27 Nov 2018
1 Apr 2019 – 30 Sep 2019	98,204	-	26 Nov 2019
	<u>98,204</u>	<u>95,086</u>	

(a) Refer to Basis of Preparation on pages 11 to 13.

## **NETLINK NBN TRUST AND ITS SUBSIDIARIES**

**FOR THE SECOND QUARTER AND HALF YEAR ENDED 30 SEPTEMBER 2019**

### **DISTRIBUTION POLICY**

NetLink Group's full distribution policy can be found in the prospectus of the Trust dated 10 Jul 2017.

NetLink Group's distribution policy is to distribute 100% of its cash available for distribution ("**CAFD**"), which includes distributions received from its wholly-owned subsidiary NetLink Trust ("**NLT**"). NLT's distribution policy is to distribute at least 90% of its distributable income to the Trust after setting aside reserves and provisions for, amongst others, future capital expenditure (including the funding of a capital expenditure reserve fund pursuant to regulatory requirements), debt repayment and working capital as may be required.

Distributions by NetLink Group will be made on a semi-annual basis, with the amount calculated as at 31 Mar and 30 Sep each year for the 6-month period ending on each of the said dates.

A distribution in the total amount of S\$98,203,672 or 2.52 Singapore cents per Unit is declared for NetLink Group's distribution period for the half year ended 30 Sep 2019 and will be payable on 26 Nov 2019 by NetLink NBN Management Pte. Ltd. (in its capacity as the trustee-manager of the Trust) as a distribution in cash to NetLink Group's unitholders.

## NETLINK NBN TRUST AND ITS SUBSIDIARIES

### FOR THE SECOND QUARTER AND HALF YEAR ENDED 30 SEPTEMBER 2019

The NetLink Group has adopted a new accounting standard, Singapore Financial Reporting Standard (International) 16 – Leases (“SFRS(I) 16”), for the first time on 1 Apr 2019 using the modified retrospective approach. The cumulative effects of applying the standard is recognised as an adjustment to opening balance of retained earnings on 1 Apr 2019, with no restatement of comparative information. Refer to pages 11 to 13 for the Basis of Preparation and for further details of the impact of applying SFRS(I) 16 on the consolidated statements of financial position and financial results of the Group.

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Group	Note	Q2 FY20 S\$'000 (Unaudited)	Q2 FY19 S\$'000 (Unaudited)	Variance (%)	H1 FY20 S\$'000 (Unaudited)	H1 FY19 S\$'000 (Unaudited)	Variance (%)
<b>Revenue</b>		94,072	90,594	3.8	186,113	176,706	5.3
Other income	2	984	776	26.8	1,852	1,551	19.4
<b>Expenses</b>							
Operation and maintenance costs		(5,128)	(4,764)	7.6	(9,611)	(9,326)	3.1
Installation costs		(2,573)	(3,289)	(21.8)	(6,944)	(6,569)	5.7
Diversion costs		(2,515)	(5,032)	(50.0)	(4,031)	(7,285)	(44.7)
Depreciation and amortisation	3	(41,781)	(40,030)	4.4	(83,821)	(79,806)	5.0
Staff costs		(7,010)	(5,752)	21.9	(13,303)	(11,020)	20.7
Finance costs	4	(5,109)	(4,725)	8.1	(10,167)	(9,279)	9.6
Management fee		(267)	(225)	18.7	(506)	(466)	8.6
Other operating expenses	5	(8,454)	(10,684)	(20.9)	(17,394)	(20,565)	(15.4)
Total expenses		(72,837)	(74,501)	(2.2)	(145,777)	(144,316)	1.0
<b>Profit before income tax</b>		<b>22,219</b>	<b>16,869</b>	<b>31.7</b>	<b>42,188</b>	<b>33,941</b>	<b>24.3</b>
Income tax credit	6	966	1,818	(46.9)	1,930	3,768	(48.8)
<b>Profit after income tax</b>		<b>23,185</b>	<b>18,687</b>	<b>24.1</b>	<b>44,118</b>	<b>37,709</b>	<b>17.0</b>
<b>Profit attributable to:</b>							
Unitholders of the Trust		23,185	18,687	24.1	44,118	37,709	17.0
<b>Items that may be subsequently reclassified to profit or loss</b>							
Cash flow hedges		(118)	155	(176.1)	(1,914)	2,502	(176.5)
<b>Total comprehensive income attributable to:</b>							
Unitholders of the Trust		23,067	18,842	22.4	42,204	40,211	5.0
<b>Earnings per unit:</b>							
- basic and diluted		0.59 cents	0.48 cents		1.13 cents	0.97 cents	
Weighted average number of units ('000) in issue for calculation of basic and diluted earnings per unit (Unaudited)							
		3,896,971	3,896,971		3,896,971	3,896,971	

## NETLINK NBN TRUST AND ITS SUBSIDIARIES

FOR THE SECOND QUARTER AND HALF YEAR ENDED 30 SEPTEMBER 2019

### STATEMENTS OF FINANCIAL POSITION (GROUP AND TRUST)

	Note	Group		Trust	
		As at 30 Sep 2019 S\$'000 (Unaudited)	As at 31 Mar 2019 S\$'000 (Audited)	As at 30 Sep 2019 S\$'000 (Unaudited)	As at 31 Mar 2019 S\$'000 (Audited)
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and bank deposits		142,439	148,621	58,140	223
Trade and other receivables		50,906	46,925	230	57,624
Contract assets		27,863	28,909	-	-
Finance lease receivables		227	221	-	-
Inventories		5,205	4,738	-	-
Other current assets		2,764	4,116	265	310
		229,404	233,530	58,635	58,157
<b>Non-current assets</b>					
Finance lease receivables		87,544	87,659	-	-
Property, plant and equipment		3,087,193	3,124,527	-	-
Rental deposits		670	667	-	-
Goodwill		746,854	746,854	-	-
Licence		86,446	88,564	-	-
Right-of-use assets <sup>(a)</sup>		13,535	-	-	-
Investment in subsidiaries		-	-	2,013,673	2,013,673
Subordinated loan to a subsidiary		-	-	1,100,000	1,100,000
		4,022,242	4,048,271	3,113,673	3,113,673
<b>Total assets</b>		4,251,646	4,281,801	3,172,308	3,171,830
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Trade and other payables		58,678	56,023	194	521
Deferred revenue		28,273	21,989	-	-
Loan	8	125,853	-	-	-
Lease liabilities <sup>(a)</sup>		2,346	-	-	-
Current tax liabilities		9,563	1,696	-	-
		224,713	79,708	194	521
<b>Non-current liabilities</b>					
Derivative financial instruments	7	2,694	780	-	-
Loan	8	509,109	634,554	-	-
Lease liabilities <sup>(a)</sup>		13,513	-	-	-
Deferred tax liabilities		526,820	536,907	-	-
		1,052,136	1,172,241	-	-
<b>Total liabilities</b>		1,276,849	1,251,949	194	521
<b>Net Assets</b>		<b>2,974,797</b>	<b>3,029,852</b>	<b>3,172,114</b>	<b>3,171,309</b>
<b>UNITHOLDERS' FUNDS</b>					
Units in issue	9	3,117,178	3,117,178	3,117,178	3,117,178
(Accumulated deficit)/Retained earnings		(147,180)	(94,039)	54,936	54,131
Hedging reserve		4,799	6,713	-	-
<b>Total Unitholders' funds</b>		<b>2,974,797</b>	<b>3,029,852</b>	<b>3,172,114</b>	<b>3,171,309</b>

(a) Refer to Basis of Preparation on pages 11 to 13.

## NETLINK NBN TRUST AND ITS SUBSIDIARIES

FOR THE SECOND QUARTER AND HALF YEAR ENDED 30 SEPTEMBER 2019

### STATEMENTS OF CHANGES IN UNITHOLDERS' FUNDS (GROUP)

	Group			
	Q2 FY20 S\$'000 (Unaudited)	Q2 FY19 S\$'000 (Unaudited)	H1 FY20 S\$'000 (Unaudited)	H1 FY19 S\$'000 (Unaudited)
<b>Units in issue at the beginning and end of the period</b>	3,117,178	3,117,178	3,117,178	3,117,178
<b>(Accumulated deficit)/retained earnings at the beginning of period</b>	(170,365)	(57,290)	(94,039)	49,950
Adjustment on adoption of SFRS(I) 16 Leases <sup>(a)</sup>	-	-	(2,173)	-
<b>Restated (accumulated deficit)/retained earnings at the beginning of period</b>	(170,365)	(57,290)	(96,212)	49,950
Profit for the period	23,185	18,687	44,118	37,709
Distribution paid	-	-	(95,086)	(126,262)
<b>Accumulated deficit at the end of period</b>	(147,180)	(38,603)	(147,180)	(38,603)
<b>Hedging reserves at the beginning of period</b>	4,917	9,597	6,713	7,250
Other comprehensive (losses)/income for the period	(118)	155	(1,914)	2,502
<b>Hedging reserves at the end of period</b>	4,799	9,752	4,799	9,752
<b>Total</b>	<u>2,974,797</u>	<u>3,088,327</u>	<u>2,974,797</u>	<u>3,088,327</u>

### STATEMENTS OF CHANGES IN UNITHOLDERS' FUNDS (TRUST)

	Trust			
	Q2 FY20 S\$'000 (Unaudited)	Q2 FY19 S\$'000 (Unaudited)	H1 FY20 S\$'000 (Unaudited)	H1 FY19 S\$'000 (Unaudited)
<b>Units in issue at the beginning and end of the period</b>	3,117,178	3,117,178	3,117,178	3,117,178
<b>Retained earnings at the beginning of period</b>	26,478	26,824	54,131	78,133
Profit for the period	28,458	28,374	95,891	103,327
Distribution paid	-	-	(95,086)	(126,262)
<b>Retained earnings at the end of period</b>	54,936	55,198	54,936	55,198
<b>Total</b>	<u>3,172,114</u>	<u>3,172,376</u>	<u>3,172,114</u>	<u>3,172,376</u>

(a) Refer to Basis of Preparation on pages 11 to 13.

## NETLINK NBN TRUST AND ITS SUBSIDIARIES

FOR THE SECOND QUARTER AND HALF YEAR ENDED 30 SEPTEMBER 2019

### CONSOLIDATED STATEMENT OF CASH FLOWS

Group	Q2 FY20	Q2 FY19	H1 FY20	H1 FY19
	S\$'000 (Unaudited)	S\$'000 (Restated)	S\$'000 (Unaudited)	S\$'000 (Restated)
<b>Operating activities</b>				
Profit before income tax	22,219	16,869	42,188	33,941
Adjustments for:				
- Depreciation and amortisation	41,089	40,030	82,437	79,806
- Depreciation of right-of-use assets <sup>(a)</sup>	692	-	1,384	-
- Amortisation of transaction fees	205	205	408	407
- Allowance of impairment for trade receivables	26	86	37	22
- (Write-back of provision)/provision for stock obsolescence	(118)	11	(84)	6
- Interest expense	4,772	4,520	9,492	8,872
- Interest expense on lease liabilities <sup>(a)</sup>	132	-	267	-
- Interest income	(449)	(385)	(990)	(795)
- Gain on disposal of property, plant and equipment	-	(1)	(4)	(1)
- Property, plant and equipment written off	93	839	343	1,457
<b>Operating cash flows before working capital changes</b>	<b>68,661</b>	<b>62,174</b>	<b>135,478</b>	<b>123,715</b>
Changes in working capital:				
- Trade and other receivables <sup>(b)</sup>	1,820	4,823	(2,628)	(5,006)
- Contract assets <sup>(b)</sup>	6,549	(1,175)	1,046	(1,518)
- Trade and other payables	5,226	2,992	9,532	1,966
- Inventories	128	(368)	(383)	(669)
<b>Cash generated from operations</b>	<b>82,384</b>	<b>68,446</b>	<b>143,045</b>	<b>118,488</b>
Interest received	517	385	1,058	795
Interest paid	(4,833)	(4,428)	(9,527)	(8,789)
Income tax paid	(290)	(3,330)	(290)	(3,330)
<b>Net cash from operating activities</b>	<b>77,778</b>	<b>61,073</b>	<b>134,286</b>	<b>107,164</b>
<b>Investing activities</b>				
Purchase of property, plant and equipment	(26,560)	(22,077)	(43,878)	(39,403)
Proceeds from sale of property, plant and equipment	-	3	4	3
<b>Net cash used in investing activities</b>	<b>(26,560)</b>	<b>(22,074)</b>	<b>(43,874)</b>	<b>(39,400)</b>
<b>Financing activities</b>				
Repayment of lease liabilities <sup>(a)</sup>	(751)	-	(1,500)	-
Payment of loan arrangement fee	-	-	(8)	(8)
Distribution paid	-	-	(95,086)	(126,262)
Proceeds from bank loans	-	45,000	-	45,000
<b>Net cash (used in)/from financing activities</b>	<b>(751)</b>	<b>45,000</b>	<b>(96,594)</b>	<b>(81,270)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>50,467</b>	<b>83,999</b>	<b>(6,182)</b>	<b>(13,506)</b>
Cash and cash equivalents at beginning of financial period	91,972	68,944	148,621	166,449
<b>Cash and cash equivalents at end of financial period</b>	<b>142,439</b>	<b>152,943</b>	<b>142,439</b>	<b>152,943</b>

(a) Refer to Basis of Preparation on pages 11 to 13.

(b) The NetLink Group adopted the new financial reporting framework – Singapore Financial Reporting Standards (International) (“SFRS(I)”) for the first time for the financial year ended 31 Mar 2019 on a retrospective basis. The application of SFRS(I) did not have any significant impact on the financial statements, other than additional disclosures required under SFRS(I) 15 Revenue from Contracts with Customers and SFRS(I) 9 Financial Instruments. Accordingly, comparatives were restated in the NetLink Group’s consolidated statement of cash flows. The NetLink Group’s consolidated cash flows has reclassified unbilled revenue previously classified as “Trade and other receivables” to “Contract assets” for Q2 FY19 and H1 FY19.

## NETLINK NBN TRUST AND ITS SUBSIDIARIES

FOR THE SECOND QUARTER AND HALF YEAR ENDED 30 SEPTEMBER 2019

### CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

Group	Q2 FY20	Q2 FY19	H1 FY20	H1 FY19
	S\$'000 (Unaudited)	S\$'000 (Restated)	S\$'000 (Unaudited)	S\$'000 (Restated)
<b>Cash and cash equivalents consist of:</b>				
Cash and bank balances	130,908	142,943	130,908	142,943
Capital expenditure reserve fund <sup>(c)</sup>	11,531	10,000	11,531	10,000
<b>Cash and cash equivalents at end of financial period</b>	<b>142,439</b>	<b>152,943</b>	<b>142,439</b>	<b>152,943</b>

(c) Capex Reserve comprises monies set aside each year for at least 20% of capital expenditure reserve fund, which cumulates to S\$40.0 million over the five-year period from 1 Jan 2018 to 31 Dec 2022, to meet regulatory requirements from Info-communications Media Development Authority ("IMDA") or for any new network infrastructure projects that improve the capacity, technology, capability or resilience of NetLink Group's network infrastructure. On a quarterly basis, NetLink Group will set aside additional funds in the capital expenditure reserve on a pro-rata basis computed based on the yearly requirement of S\$8.0 million. As at 30 Sep 2019, NLT has set aside S\$14.0 million for capital expenditure reserve of which approximately S\$2.5 million were utilised to increase network resiliency and capacity.

## **SELECTED NOTES TO THE FINANCIAL STATEMENTS**

### **1. BASIS OF PREPARATION**

The Group prepares its condensed consolidated interim financial information in accordance with Singapore Financial Reporting Standard (International) (“SFRS(I)”) 1-34, *Interim Financial Reporting*. This interim report should be read in conjunction with the most recent audited financial statements for the financial year ended 31 Mar 2019.

The same accounting policies and methods of computation have been applied in the preparation of the financial statements for current financial period as those stated in the most recent audited financial statements for the financial year ended 31 Mar 2019 except for Singapore Financial Reporting Standard (International) 16 – *Leases* (“SFRS(I) 16”) which is effective for the Group from 1 Apr 2019.

SFRS(I) 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, with exemption for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. This resulted in lower rental expenses and higher depreciation of right-of-use assets and finance cost.

The Group has applied SFRS(I) 16 retrospectively with the cumulative effect of initially applying the Standard recognised as an adjustment to the opening balance of retained earnings at the date of initial application, as permitted under the specific transition provisions in the Standard. Lease liabilities were measured at the present value of the remaining lease payments, discounted using the Group’s incremental borrowing rate as of 1 Apr 2019. The right-of-use assets were measured on a retrospective basis as if the Standard had been applied since the commencement date, but discounted using the Group’s incremental borrowing rate as of 1 Apr 2019.

# NetLinkNBN

*the fibre of a smart nation*

## NETLINK NBN TRUST AND ITS SUBSIDIARIES

FOR THE SECOND QUARTER AND HALF YEAR ENDED 30 SEPTEMBER 2019

There is no impact to the Trust as a result of the adoption of SFRS(I) 16. The impact on adoption to the Group are as follows:

### Consolidated Statements of Financial Position

	<b>Group</b>
<b>As at 1 Apr 2019</b>	<b>S\$'000</b>
<b>ASSETS</b>	
<b>Non-current assets</b>	
Right-of-use assets	14,919
<b>Total assets</b>	<b>14,919</b>
<b>LIABILITIES</b>	
<b>Current liabilities</b>	
Lease liabilities	2,496
<b>Non-current liabilities</b>	
Lease liabilities	14,596
<b>Total liabilities</b>	<b>17,092</b>
<b>Net Liabilities</b>	<b>(2,173)</b>
<b>UNITHOLDERS' FUNDS</b>	
Accumulated deficit	(2,173)
<b>Impact on total Unitholders' funds</b>	<b>(2,173)</b>

## NETLINK NBN TRUST AND ITS SUBSIDIARIES

### FOR THE SECOND QUARTER AND HALF YEAR ENDED 30 SEPTEMBER 2019

#### Consolidated Statements of Profit or Loss and Other Comprehensive Income

The purpose of the table below is for illustration for the financial results of Q2 FY20, Q2 FY19, H1 FY20 and H1 FY19 without the effects of the adoption of SFRS(I) 16:

Group	S\$'000	Q2 FY20		Q2 FY19		Variance (%)
		As reported	Effects of applying SFRS(I) 16	Without effects of SFRS(I) 16 <sup>(d)</sup>	As reported	
<b>Expenses</b>						
Operation and maintenance costs	(5,128)	(326)	(5,454)	(4,764)	14.5	
Depreciation and amortisation	(41,781)	692	(41,089)	(40,030)	2.6	
Finance costs	(5,109)	132	(4,977)	(4,725)	5.3	
Other operating expenses	(8,454)	(425)	(8,879)	(10,684)	(16.9)	
<b>Profit before income tax</b>	<b>22,219</b>	<b>73</b>	<b>22,292</b>	<b>16,869</b>	<b>32.1</b>	
<b>Profit after income tax and attributable to Unitholders of the Trust</b>	<b>23,185</b>	<b>73</b>	<b>23,258</b>	<b>18,687</b>	<b>24.5</b>	

Group	S\$'000	H1 FY20		H1 FY19		Variance (%)
		As reported	Effects of applying SFRS(I) 16	Without effects of SFRS(I) 16 <sup>(d)</sup>	As reported	
<b>Expenses</b>						
Operation and maintenance costs	(9,611)	(650)	(10,261)	(9,326)	10.0	
Depreciation and amortisation	(83,821)	1,384	(82,437)	(79,806)	3.3	
Finance costs	(10,167)	267	(9,900)	(9,279)	6.7	
Other operating expenses	(17,394)	(850)	(18,244)	(20,565)	(11.3)	
<b>Profit before income tax</b>	<b>42,188</b>	<b>151</b>	<b>42,339</b>	<b>33,941</b>	<b>24.7</b>	
<b>Profit after income tax and attributable to Unitholders of the Trust</b>	<b>44,118</b>	<b>151</b>	<b>44,269</b>	<b>37,709</b>	<b>17.4</b>	

(d) Presented only for the purpose of illustrating the financial result of Q2 FY20 and H1 FY20 without the effects of adoption SFRS(I) 16 for comparison with Q2 FY19 and H1 FY19.

## NETLINK NBN TRUST AND ITS SUBSIDIARIES

FOR THE SECOND QUARTER AND HALF YEAR ENDED 30 SEPTEMBER 2019

### 2. OTHER INCOME

	Q2 FY20	Q2 FY19	H1 FY20	H1 FY19
	S\$'000	S\$'000	S\$'000	S\$'000
Group	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Net gain on disposal of property, plant and equipment	-	1	4	1
Interest income	449	385	990	795
Others <sup>(1)</sup>	535	390	858	755
	<u>984</u>	<u>776</u>	<u>1,852</u>	<u>1,551</u>

(1) Others consists mainly of income from Fibre Readiness Certification, Restoration Cost Recovery, Notice for Commencement of Earthworks, Plant Route Plans and Penalty Issued to Contractors.

### 3. DEPRECIATION AND AMORTISATION

	Q2 FY20	Q2 FY19	H1 FY20	H1 FY19
	S\$'000	S\$'000	S\$'000	S\$'000
Group	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	40,030	38,971	80,319	77,687
Amortisation of license	1,059	1,059	2,118	2,119
Depreciation and amortisation	<u>41,089</u>	<u>40,030</u>	<u>82,437</u>	<u>79,806</u>
Depreciation of right-of-use assets	692	-	1,384	-
	<u>41,781</u>	<u>40,030</u>	<u>83,821</u>	<u>79,806</u>

Depreciation and amortisation expenses were higher mainly due to a higher fixed assets base and the depreciation of right-of-use assets arising from the adoption of SFRS(I) 16.

## NETLINK NBN TRUST AND ITS SUBSIDIARIES

FOR THE SECOND QUARTER AND HALF YEAR ENDED 30 SEPTEMBER 2019

### 4. FINANCE COSTS

	Q2 FY20	Q2 FY19	H1 FY20	H1 FY19
	S\$'000	S\$'000	S\$'000	S\$'000
Group	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest expense on:				
- Bank loans	4,484	3,906	9,067	7,448
- Lease liabilities <sup>(e)</sup>	132	-	267	-
- Others	33	35	66	70
Financing related costs	360	386	716	775
Realised loss on interest rate swaps	100	398	51	986
	<u>5,109</u>	<u>4,725</u>	<u>10,167</u>	<u>9,279</u>

For cash flow purposes, finance costs do not include amortisation of transaction fees and interest expenses on lease liabilities. Reconciliation to cash flow statement is as below:

Finance costs	5,109	4,725	10,167	9,279
Amortisation of transaction fees	(205)	(205)	(408)	(407)
Interest expense on lease liabilities <sup>(e)</sup>	(132)	-	(267)	-
Interest expense	<u>4,772</u>	<u>4,520</u>	<u>9,492</u>	<u>8,872</u>

### 5. OTHER OPERATING EXPENSES

The other operating expenses include the following items:

	Q2 FY20	Q2 FY19	H1 FY20	H1 FY19
	S\$'000	S\$'000	S\$'000	S\$'000
Group	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Property tax	4,004	4,064	8,076	8,224
System maintenance costs	1,807	3,163	3,726	5,433
Provision of impairment for trade receivables	26	86	37	22
Property, plant and equipment written off	93	839	343	1,457
(Write-back of provision for)/provision of inventory obsolescence	(118)	11	(84)	6

(e) Interest expenses relating to lease liabilities under SFRS(I) 16.

## NETLINK NBN TRUST AND ITS SUBSIDIARIES

FOR THE SECOND QUARTER AND HALF YEAR ENDED 30 SEPTEMBER 2019

### 6. INCOME TAX CREDIT

The reconciliation between tax credit and the product of accounting profit multiplied by the applicable corporate tax rate for the financial period is as follows:

	Q2 FY20	Q2 FY19	H1 FY20	H1 FY19
	S\$'000	S\$'000	S\$'000	S\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Profit before income tax	<u>22,219</u>	<u>16,869</u>	<u>42,188</u>	<u>33,941</u>
Income tax expense calculated at a tax rate of 17%	(3,777)	(2,868)	(7,172)	(5,770)
Effect of:				
- Expenses not deductible for tax purpose	(133)	(140)	(291)	(255)
- Tax relief	-	-	35	-
- Tax benefit on the tax exempted interest income derived from qualifying project debt securities <sup>^</sup>	4,962	4,949	9,844	9,844
- Under provision in prior year	-	-	(161)	-
- Others	(86)	(123)	(325)	(51)
Tax credit attributable to current period's profit	<u>966</u>	<u>1,818</u>	<u>1,930</u>	<u>3,768</u>

<sup>^</sup> – Relates to the tax benefit on the tax exempted interest income on the S\$1.1 billion in principal amount of subordinated notes due in year 2037 issued by NLT to NetLink Group, which are qualifying project debt securities (“QPDS”).

In Dec 2018, NLT received an amended assessment relating to Year of Assessment 2014 from the Inland Revenue Authority of Singapore where certain capital allowances claimed by NLT were reduced. These capital allowances were previously transferred to Singtel group under the group tax relief system. The additional assessments for the Singtel group amounts to S\$120 million. The amended assessment does not result in any tax payable by NLT under the transfer agreement with Singtel group.

## NETLINK NBN TRUST AND ITS SUBSIDIARIES

FOR THE SECOND QUARTER AND HALF YEAR ENDED 30 SEPTEMBER 2019

### 7. FAIR VALUE MEASUREMENTS

The Group classifies financial assets and liabilities measured at fair value using a fair value hierarchy which reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (**Level 1**);
- (b) inputs other than quoted prices included within Level 1 which are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (**Level 2**); and
- (c) inputs for the asset or liability which are not based on observable market data (unobservable inputs) (**Level 3**).

The following tables present the assets and liabilities measured at fair value as at the following balance sheet dates:

<b>Group</b>					
<b>30 Sep 2019</b>		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
(Unaudited)		S\$'000	S\$'000	S\$'000	S\$'000

#### Financial liabilities

Derivative financial instruments	-	2,694	-	2,694
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<b>Group</b>					
<b>31 Mar 2019</b>		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
(Audited)		S\$'000	S\$'000	S\$'000	S\$'000

#### Financial liabilities

Derivative financial instruments	-	780	-	780
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The Group uses interest rate swaps to manage its exposure to interest rate movements on its bank borrowings. The Group currently has S\$636.0 million (31 Mar 2019: S\$636.0 million) bank loan outstanding and has entered into a series of interest rate swaps to convert the variable interest rates on its bank loan into fixed interest rates, for a total notional principal amount of S\$636.0 million (31 Mar 2019: S\$636.0 million) over the period of the bank loan. Accordingly, 100% (31 Mar 2019: 100%) of the interest in respect of the outstanding amounts under the Group's existing bank loans has been hedged.

## 8. GROUP'S BORROWINGS AND DEBT SECURITY

	Group			
	Effective Average Interest rate (%)	As at 30 Sep 2019 S\$'000 (Unaudited)	Effective Average Interest rate (%)	As at 31 Mar 2019 S\$'000 (Audited)
<b>Unsecured borrowings</b>				
Repayable within one year				
- Bank loans (unsecured)	2.67	125,853	-	-
Repayable after one year				
- Bank loans (unsecured)	2.91	509,109	2.82	634,554
		634,962		634,554

### Committed revolving credit facility ("RCF") and term loan

Commencement Date	Terms	Utilised As at 30 Sep 2019 S\$'000 (Unaudited)	Utilised As at 31 Mar 2019 S\$'000 (Audited)
		- 24 Mar 2016	S\$510 million Five-Year Term Loan
- 24 Mar 2016	S\$90 million Five-Year RCF	-	-
- 15 Jun 2017	S\$210 million Three-Year RCF	126,000	126,000
		636,000	636,000
	Transaction costs	(1,038)	(1,446)
		634,962	634,554

## 9. UNITS IN ISSUE

	Number of units	
	As at 30 Sep 2019 (Unaudited)	As at 31 Mar 2019 (Audited)
<b>Group and Trust</b>		
Balance as at beginning of year and at end of period	3,896,971,100	3,896,971,100

## NETLINK NBN TRUST AND ITS SUBSIDIARIES

FOR THE SECOND QUARTER AND HALF YEAR ENDED 30 SEPTEMBER 2019

### 10. NET ASSET VALUE

	Group		Trust	
	As at 30 Sep 2019 Units (Unaudited)	As at 31 Mar 2019 Units (Audited)	As at 30 Sep 2019 Units (Unaudited)	As at 31 Mar 2019 Units (Audited)
NAV per unit based on issued units at the end of period (cents)	76.3	77.7	81.4	81.4
Number of units in issue at end of period	3,896,971,100	3,896,971,100	3,896,971,100	3,896,971,100

### 11. COMMITMENTS

Capital expenditure contracted for at the balance sheet date but not recognised in the financial statements are as follow:

	Group		Trust	
	As at 30 Sep 2019 S\$'000 (Unaudited)	As at 31 Mar 2019 S\$'000 (Audited)	As at 30 Sep 2019 S\$'000 (Unaudited)	As at 31 Mar 2019 S\$'000 (Audited)
Property, plant and equipment	48,401	38,811	-	-

### 12. SEGMENT INFORMATION

The chief operating decision maker has been determined as the Chief Executive Officer of the NetLink Group. The Chief Executive Officer reviews the internal management reports in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

As the NetLink Group is principally engaged in the provision of duct and manholes, central offices and space in central offices and fibre related services in Singapore, management considers that the NetLink Group operates in one single business and geographical segment.

## NETLINK NBN TRUST AND ITS SUBSIDIARIES

FOR THE SECOND QUARTER AND HALF YEAR ENDED 30 SEPTEMBER 2019

### 13. RELATED PARTY TRANSACTIONS

In addition to the information disclosed elsewhere in the unaudited financial statements, the following transactions took place between the NetLink Group and related parties at terms agreed between the parties during the financial period:

	Q2 FY20	Q2 FY19	H1 FY20	H1 FY19
	S\$'000	S\$'000	S\$'000	S\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Services rendered to a substantial Unitholder	40,957	41,303	80,989	82,659
Services rendered to subsidiaries of a shareholder of a substantial Unitholder	28,526	22,743	57,287	44,931
Purchase of services from a substantial Unitholder	1,396	1,765	2,816	3,611
Purchase of fixed assets from a substantial Unitholder	1,256	7,905	2,239	9,051
Management fee paid or payable to Trustee-Manager of the Trust	267	225	506	466
Purchase of services from subsidiaries of a shareholder of a substantial Unitholder	989	405	2,014	1,329
Purchase of services from associates of a shareholder of a substantial Unitholder	17	4	29	8
Purchases of goods from subsidiaries of a substantial Unitholder	109	1,630	303	3,003

### 14. DISTRIBUTIONS

#### (a) Current Financial Period Reported on

Amount	: S\$98,203,672
Distribution Period	: 1 Apr 2019 to 30 Sep 2019
Distribution Rate	: 2.52 Singapore cents per unit
Tax Rate	: Cash distributions to Unitholders are exempt from Singapore income tax.

#### (b) Date Payable

: 26 Nov 2019

#### (c) Corresponding Period of the Immediately Preceding Financial Year

Amount	: S\$95,086,095
Distribution Period	: 1 Apr 2018 to 30 Sep 2018
Distribution Rate	: 2.44 Singapore cents per unit
Tax Rate	: Cash distributions to Unitholders are exempt from Singapore income tax.

Notice is hereby given that the Unit Transfer Books and Register of Unitholders of the Trust will be closed at 5.00 p.m. on 14 Nov 2019 for the purposes of determining each Unitholder's entitlement to the distribution. Duly completed registrable transfers in respect of Units in the capital of the Trust received by the Unit Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place #32-01 Singapore Land Tower Singapore 048623, up to 5.00 p.m. on 14 Nov 2019 will be registered to determine Unitholders' entitlement to the distribution. Unitholders whose Securities Accounts with The Central Depository (Pte) Limited are credited with Units at 5.00 p.m. on 14 Nov 2019 will be entitled to the distribution to be paid on 26 Nov 2019.

## **15. OTHER INFORMATION**

The statements of financial position as at 30 Sep 2019 and the consolidated statement of profit or loss and other comprehensive income, statements of changes in Unitholders' fund and consolidated statement of cash flows for the half year ended 30 Sep 2019 presented in this announcement have not been audited, but have been reviewed by Deloitte & Touche LLP in Singapore in accordance with the Singapore Standard on Review Engagements 2410 – *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* (see review report on Page 27 of this announcement).

## NETLINK NBN TRUST AND ITS SUBSIDIARIES

FOR THE SECOND QUARTER AND HALF YEAR ENDED 30 SEPTEMBER 2019

### 16. REVIEW OF PERFORMANCE VARIANCE

	Q2 FY20	Q2 FY19	Variance	H1 FY20	H1 FY19	Variance
	S\$'000	S\$'000	(%)	S\$'000	S\$'000	(%)
	(Unaudited)	(Unaudited)		(Unaudited)	(Unaudited)	
Fibre business revenue:						
Residential connections	57,790	50,867	13.6	113,819	100,756	13.0
Non-residential connections	7,767	7,467	4.0	15,445	14,798	4.4
NBAP and Segment connections	1,796	1,685	6.6	3,582	3,365	6.4
Installation-related revenue	5,463	5,056	8.0	12,369	10,258	20.6
Diversion revenue	3,850	7,147	(46.1)	6,198	10,631	(41.7)
Co-location and Other revenue	5,104	4,922	3.7	10,269	9,874	4.0
<b>Total Fibre Business Revenue</b>	<b>81,770</b>	<b>77,144</b>	<b>6.0</b>	<b>161,682</b>	<b>149,682</b>	<b>8.0</b>
Ducts, manholes and Central Office revenue:						
Ducts and manholes service revenue	7,834	9,244	(15.3)	15,511	18,651	(16.8)
Central Office revenue	4,468	4,206	6.2	8,920	8,373	6.5
<b>Total Ducts, Manholes and Central Office Revenue</b>	<b>12,302</b>	<b>13,450</b>	<b>(8.5)</b>	<b>24,431</b>	<b>27,024</b>	<b>(9.6)</b>
<b>Total Revenue</b>	<b>94,072</b>	<b>90,594</b>	<b>3.8</b>	<b>186,113</b>	<b>176,706</b>	<b>5.3</b>

#### Q2 FY20 vs Q2 FY19

Revenue of S\$94.1 million for Q2 FY20 rose 3.8% mainly due to higher residential connections revenue and installation-related revenue. This was partially offset by lower ducts and manholes service revenue and diversion revenue.

Residential connections revenue increased by S\$6.9 million mainly due to the higher number of connections. As at 30 Sep 2019, there were 1,410,627 connections as compared to 1,241,018 connections as at 30 Sep 2018. The higher installation-related revenue of S\$0.4 million was mainly due to higher number of residential installation orders and service activation charges as StarHub migrated its coaxial cable subscribers to fibre. Ducts and manholes service revenue decreased by S\$1.4 million mainly due to the completion of fewer joint-build projects in Q2 FY20 coupled with decrease in service revenue due to decreased cable length chargeable. Lower diversion revenue of S\$3.3 million was mainly due to the completion of fewer projects in Q2 FY20 as compared to Q2 FY19.

Total expenses for Q2 FY20 were S\$1.7 million lower mainly due to lower installation costs, diversion costs and other operating expenses, partially offset by higher depreciation and amortisation costs and staff costs. Installation costs were S\$0.7 million lower in spite of an increase in installation-related revenue as part of the installation costs of S\$1.0 million was reclassified to operation and maintenance costs. Excluding the impact of this reclassification, installation costs would have been S\$0.3 million higher which was in line with increase in higher installation-related revenue. Diversion costs were S\$2.5 million lower, in line with lower diversion revenue. Other operating expenses were S\$2.2 million lower in Q2 FY20 as compared to Q1 FY19 due to write off of fixed assets in the prior corresponding period and lower IT maintenance costs. Depreciation and amortisation costs were S\$1.8 million higher mainly due to a higher fixed asset base and the adoption of the SFRS(I) 16. Staff costs for Q2 FY20 were S\$1.3 million higher mainly due to lower capitalisation of staff costs as there were fewer spare capacity fibre top up projects completed in Q2 FY20 as compared to Q2 FY19.

The Group achieved a Profit After Tax of S\$23.2 million for Q2 FY20, which was 24.1% higher than Q2 FY19.

## **NETLINK NBN TRUST AND ITS SUBSIDIARIES**

### **FOR THE SECOND QUARTER AND HALF YEAR ENDED 30 SEPTEMBER 2019**

#### **H1 FY20 vs H1 FY19**

Revenue of S\$186.1 million for H1 FY20 rose 5.3% mainly due to higher residential connections and installation-related revenue. This was partially offset by lower ducts and manholes service revenue and diversion revenue.

Residential connections revenue increased by S\$13.1 million mainly due to the higher number of connections. As at 30 Sep 2019, there were 1,410,627 connections as compared to 1,241,018 connections as at 30 Sep 2018. The higher installation-related revenue of S\$2.1 million was mainly due to higher number of residential installation orders and service activation charges as StarHub migrated its coaxial cable subscribers to fibre. Ducts and manholes service revenue decreased by S\$3.1 million mainly due to the completion of fewer joint-build projects in H1 FY20 coupled with decrease in service revenue due to decreased cable length chargeable. Lower diversion revenue of S\$4.4 million was mainly due to the completion of fewer projects in H1 FY20 as compared to H1 FY19.

Total expenses for H1 FY20 were S\$1.5 million higher mainly due to higher installation costs, depreciation and amortisation costs, staff costs and finance costs, partially offset by lower diversion costs and other operating expenses. Installation costs were S\$0.4 million higher, in line with higher installation revenue. Depreciation and amortisation costs were S\$4.0 million higher mainly due to a higher fixed asset base and the adoption of the SFRS(I) 16. Staff costs for H1 FY20 were S\$2.3 million higher mainly due to lower capitalisation of staff costs as there were fewer spare capacity fibre top up projects completed in H1 FY20 as compared to H1 FY19. Finance costs was higher by S\$0.9 million due to higher average interest rate in H1 FY20 coupled with additional interest expenses on lease liabilities arising from the adoption of SFRS(I) 16. Diversion costs were S\$3.3 million lower, in line with lower diversion revenue. Other operating expenses were S\$3.2 million lower in H1 FY20 as compared to H1 FY19 due to write off of fixed assets in the prior corresponding period and lower IT maintenance costs.

The Group achieved a Profit After Tax of S\$44.1 million for H1 FY20, which was 17.0% higher than H1 FY19.

#### **REVIEW OF PERFORMANCE - STATEMENTS OF CASH FLOWS**

The Group's net cash from operating activities of S\$77.8 million in Q2 FY20 and S\$134.3 million in H1 FY20 were S\$16.7 million and S\$27.1 million higher than Q2 FY19 and H1 FY19 respectively. The increase was largely due to higher cash flow from operations.

Net cash used in investing activities of S\$26.6 million in Q2 FY20 and S\$43.9 million in H1 FY20 were both S\$4.5 million higher than Q2 FY19 and H1 FY19 mainly due to higher spending in property, plant and equipment.

There was no loan drawn down in Q2 FY20 and H1 FY20. The distribution paid in H1 FY20 was lower than the distribution paid in H1 FY19 as the distribution for H1 FY19 was for a longer period from 19 Jul 2017 to 31 Mar 2018.

The resultant cash and cash equivalents balance for the Group as at 30 Sep 2019 was S\$142.4 million.

## NETLINK NBN TRUST AND ITS SUBSIDIARIES

FOR THE SECOND QUARTER AND HALF YEAR ENDED 30 SEPTEMBER 2019

### REVIEW OF PERFORMANCE - STATEMENTS OF FINANCIAL POSITION

The Group reported total assets as at 30 Sep 2019 of S\$4,251.6 million, S\$30.2 million lower than total assets of S\$4,281.8 million as at 31 Mar 2019 mainly due to the decrease in cash and property, plant and equipment, partially offset by the recognition of right-of-use assets of S\$13.5 million (arising from the adoption of SFRS(I) 16 from 1 Apr 2019).

The Group reported total liabilities as at 30 Sep 2019 of S\$1,276.8 million, S\$24.9 million higher than total liabilities of S\$1,251.9 million as at 31 Mar 2019 mainly due to the recognition of lease liabilities of S\$15.9 million arising from the adoption of SFRS(I) 16 from 1 Apr 2019, increase in trade and other payables, deferred revenue and current tax liabilities, partially offset by lower deferred tax liabilities. S\$126 million of the S\$636 million bank loans were reclassified to current liabilities as the revolving credit facilities (“RCFs”) of S\$126 million is maturing on 15 Jun 2020 (please see note 8 on page 18 for more details). Management has plans to refinance these RCFs.

Total Unitholders’ funds stood at S\$2,974.8 million as at 30 Sep 2019, lower than S\$3,029.9 million as at 31 Mar 2019 mainly due to the distribution paid, partially offset by profit recognised for the half year ended 30 Sep 2019.

## **17. OUTLOOK AND PROSPECT**

For FY20, the NetLink Group expects revenues from key connection services to be higher than that of FY19 mainly due to higher residential connections and installation-related revenues. The Group will continue to invest and expand its network to improve the network's capability and resiliency. The Group expects capital expenditure in FY20 to be higher than that of FY19.

The Group is continuing to expand its network in new housing estates. The Group has also been working proactively with the RLs (who provide fibre services to Retail Service Providers that in turn provide retail fibre services to end-users) to meet future demand for non-residential and NBAP connections, and to support the RLs' efforts to acquire new non-residential and NBAP customers. With its extensive nationwide fibre network, the NetLink Group is well-positioned to support, among others, the Smart Nation initiatives, the developments in Punggol Digital District and Jurong Innovation District, and TPG Telecom in its mobile network deployment. In addition, the Group supports IMDA's objectives to achieve pervasive deployment of 5G infrastructure and grow the 5G innovation ecosystem. The Group is looking forward to working with industry partners in offering the use of its nationwide fibre network to accelerate the realisation of IMDA's objectives. In this connection, the Group will be supporting M1 for its 5G trial at an upcoming new restaurant in Marina Square and TPG Telecom for its 5G trial network across Singapore Science Park I and II.

The NetLink Group's resilient business model is expected to provide recurring and predictable cashflows to support distributions to Unitholders.

## NETLINK NBN TRUST AND ITS SUBSIDIARIES

FOR THE SECOND QUARTER AND HALF YEAR ENDED 30 SEPTEMBER 2019

### 18. INTERESTED PERSON TRANSACTION (“IPT”)

The Group has not obtained a general mandate from Unitholders of the Trust for IPTs. During the financial period, the following IPTs were entered into by the Group:

Name of Interested Person	<i>Aggregate value of all IPTs during the financial period under review (excluding transactions of less than S\$100,000)</i>	
	Q2 FY20 S\$'000 (Unaudited)	H1 FY20 S\$'000 (Unaudited)
NetLink NBN Management Pte. Ltd.		
- Management fees	225	450
- Reimbursement of expenses	42	56
	<hr/>	<hr/>

### 19. CONFIRMATION THAT THE ISSUER HAS PROCURED UNDERTAKINGS FROM ALL ITS DIRECTORS AND EXECUTIVE OFFICERS (IN THE FORMAT SET OUT IN APPENDIX 7.7) UNDER RULE 720(1)

The Trustee-Manager has received undertakings from all its directors and executive officers in the format as set out in Appendix 7.7 under Rule 720(1) of the Listing Manual of the SGX-ST.

### CONFIRMATION BY BOARD

On behalf of the Board of Directors of the Trustee-Manager, we, the undersigned, hereby confirm to the best of our knowledge that nothing has come to the attention of the Board of Directors of the Trustee-Manager which may render the financial statements for the quarter to be false or misleading, in any material aspect.

On behalf of the Board of Directors of the Trustee-Manager

Chaly Mah Chee Kheong  
Chairman and Independent Director

Tong Yew Heng  
Chief Executive Officer and Executive Director

Singapore

1 November 2019

# NetLinkNBN

*the fibre of a smart nation*

## **NETLINK NBN TRUST AND ITS SUBSIDIARIES**

**FOR THE SECOND QUARTER AND HALF YEAR ENDED 30 SEPTEMBER 2019**

### **INDEPENDENT AUDITOR'S REVIEW REPORT**

The Board of Directors

NetLink NBN Management Pte. Ltd. (as Trustee-Manager of NetLink NBN Trust)

750E Chai Chee Road

#07-03, Viva Business Park

Singapore 469005

Dear Sirs

## **NETLINK NBN TRUST AND ITS SUBSIDIARIES**

**REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION AS OF AND FOR THE SECOND QUARTER AND HALF YEAR ENDED 30 SEPTEMBER 2019**

### **Introduction**

We have reviewed the accompanying financial information of NetLink NBN Trust (the "Trust") and its subsidiaries (the "Group") which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Trust as at 30 September 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in Unitholders' funds and consolidated statement of cash flows of the Group and the statement of changes in Unitholders' funds of the Trust for the second quarter ended and half year 30 September 2019, selected notes and other explanatory information ("interim financial information").

Management is responsible for the preparation and fair presentation of this interim financial information in accordance with Singapore Financial Reporting Standards (International) 1- 34 *Interim Financial Reporting* ("SFRS(I)1- 34"). Such interim financial information has been prepared by the Trust for announcement on the Singapore Exchange. Our responsibility is to express a conclusion on this interim financial information based on our review.

### **Scope of Review**

We conducted our review in accordance with Singapore Standards on Review Engagements 2410, "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity.*" A review of interim financial information consists of making inquiries, 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 Singapore Standards on Auditing 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.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not present fairly, in all material respects, in accordance with SFRS(I) 1-34.

Deloitte & Touche LLP  
Public Accountants and  
Chartered Accountants  
Singapore

1 November 2019