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UNITI

Uniti Group Limited
(ABN 73 158 957 889)
Level 1 / 44 Currie Street
ADELAIDE SA 5000
AUSTRALIA

24 February 2020

The Manager
Market Announcements Office
Australian Securities Exchange
4th Floor, 20 Bridge Street
SYDNEY NSW 2000

ELECTRONIC LODGEMENT

Dear Sir / Madam

Uniti Group Limited – Financial Reports for half-year ended 31 December 2019

Please find attached the following documents for immediate release to the market:

1. Appendix 4D – Half-Year Report; and
2. Half-Year Financial Report.

for the half-year ended 31 December 2019.

Authorised for lodgement by:

Peter Wildy
Company Secretary

ADDITIONAL INFORMATION

For further information, contact as below:

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UNITI GROUP LIMITED

APPENDIX 4D AND HALF YEAR REPORT

31 DECEMBER 2019



1. Company details

Name of entity:	Uniti Group Limited (ASX:UWL) (<i>Company</i>)
ABN:	73 158 957 889
Reporting period:	For the half-year ended 31 December 2019
Previous period:	For the half-year ended 31 December 2018

2. Results for announcement to the market

				\$'000
Revenue from ordinary activities	up	620%	to	22,046
Loss before tax for the half-year attributable to the owners of UWL	down	90.2%	to	(705)
Profit after tax for the half-year attributable to the owners of UWL (1)(2)	up	170.8%	to	5,113

(1) Tax losses of \$5.4m have been brought to account within this period, made up of:

- Transferred in losses: \$11.4m (tax effected: \$3.4m)
- Group losses incurred since the tax consolidated group was formed (1 July 2018): \$6.6m (tax effected: \$2.0m)

(2) Net Deferred Tax Asset for the period was \$0.4m.

With effect from 1 July 2018, the Company established a Tax Consolidation Group (the Group). Acquired companies joined the Group on their respective acquisition dates. As a result of improved trading performance and forecast profitability, the Company has recognised a deferred tax asset relating to tax losses available to the Group.

Transferred in losses to the Group of \$11.4m are from Uniti Group Ltd, Fone Dynamics Pty Ltd and OPENetworks Pty Ltd. Since establishing the Group, the Company has incurred \$6.6m (\$2.0m tax effected) tax losses. The Group losses will be utilised initially, with transferred in losses from acquisitions subsequently utilised against future taxable income in accordance with their available fraction.

Dividends

	Amount per security (Cents)	Franked amount per security (Cents)
There was no dividend declared, or paid for the half-year ended 31 December 2019	0.0	0.0

Comments

The Company recorded underlying Earnings before Interest Tax Depreciation and Amortisation (EBITDA) of \$7.2m for the financial half year ended 31 December 2019, compared to a EBITDA Loss for the corresponding period last year of \$1.6m. Underlying earnings adjusts statutory earnings for one off significant items related to the acquisition of businesses during the half year, including the amortisation of customer contracts acquired as part of an acquisition, and for non-cash share based payments.

The Company recorded an underlying Net Profit before Tax (NPBT) of \$4.2m for the financial half-year ended 31 December 2019, compared to a net loss before tax in the corresponding period last year of \$3.1m, an improvement of \$7.3m.

For the financial half year ended 31 December 2019, the Company recorded an Income Tax Benefit of \$5.4m representing the recognition of income tax losses incurred by the Company in prior periods. The transition to significant profits before tax in the current half year has meant that the realisation of accumulated tax losses being recouped against current and future taxable income are more certain, requiring the recording of the future income tax benefit.

Half Year Report

The Underlying Earnings for the current half year and the prior corresponding period are as follows:

	Underlying 31 Dec 2019 \$'000	Underlying 31 Dec 2018 \$'000	Movement \$'000
Revenue	22,046	3,063	18,983
Network and hardware expenses	(7,419)	(912)	(6,507)
Employee expenses	(4,617)	(2,442)	(2,175)
Operating expenses	(2,815)	(1,263)	(1,552)
Underlying EBITDA	7,195	(1,554)	8,749
	31 Dec 2019 \$'000	31 Dec 2018 \$'000	Movement \$'000
Reconciliation to statutory profit before tax:			
Statutory loss before tax	(705)	(7,222)	6,517
<i>EBITDA adjustments:</i>			
Finance costs	310	563	(253)
Depreciation and amortisation	2,648	1,105	1,543
Reported EBITDA	2,253	(5,554)	7,807
<i>Add (Less) significant items:</i>			
Acquisition and restructure costs ⁽¹⁾	2,937	363	(2,574)
Share based payments	2,005	2,226	221
IPO expenses	-	389	389
Capital raising settlement expense	-	675	675
Provision for impairment	-	347	347
Underlying EBITDA	7,195	(1,554)	8,749

(1) Costs incurred on the acquisition of LBNC Pty Ltd and its related bodies corporate (LBNC), OPENetworks Pty Ltd (OPEN) and 1300 Australia Pty Ltd (1300 Australia) and its related entities of \$2.5m. In addition, non-recurring restructure costs of \$0.4m were incurred.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	16.4	(2.8)

The Issued Capital of the Company at the end of the half-year is 323,758,860 fully paid shares (31 December 2018: 45,741,200 shares).

4. Control gained over entities

<i>Name of entities (or group of entities):</i>	<i>Date control gained:</i>
LBNCo Holdings Pty Ltd	1 October 2019
LBNCo InterCo Pty Ltd	1 October 2019
LBNCo BidCo Pty Ltd	1 October 2019
LBNCo Pty Ltd	1 October 2019
Service Elements Pty Ltd	1 October 2019
Link Us Pty Ltd	1 October 2019
Capital Fibre Networks Pty Ltd	1 October 2019
OPENetworks Pty Ltd	1 November 2019
1300 Australia Pty Ltd	16 December 2019 ⁽¹⁾
1300 Holdings Pty Ltd	16 December 2019 ⁽¹⁾
Alpha Phone Words Pty Ltd	16 December 2019 ⁽¹⁾

⁽¹⁾ Date of control of entity is 16 December 2019, with date of economic control being 1 December 2019.

5. Loss of control over entities

Not applicable.

6. Details of associates and joint venture entities

Not applicable.

7. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report.

8. Attachments

Details of attachments (if any):

The Interim Report of Uniti Group Limited for the half-year ended 31 December 2019 is attached.

9. Signed



Graeme Barclay
Chairman
24 February 2020

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Uniti Group Limited
And its Controlled Entities



INTERIM FINANCIAL REPORT
FOR THE HALF YEAR ENDED
31 DECEMBER 2019

ABN 73 158 957 889



Directors' report	7
Auditor's independence declaration	10
Consolidated statement of profit or loss and other comprehensive income	11
Consolidated statement of financial position	12
Consolidated statement of changes in equity	13
Consolidated statement of cash flows	14
Consolidated notes to the financial statements	15
Directors' declaration	27
Independent auditor's review report to the members of Uniti Group Limited	28

General information

The financial statements cover Uniti Group Limited as a consolidated entity consisting of Uniti Group Limited and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is Uniti Group Limited's functional and presentation currency.

Uniti Group Limited is a listed public company limited by shares having listed on the ASX on the 13 February 2019 and is incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office

Level 1, 44 Currie Street
Adelaide SA 5000

Principal place of business

Level 1, 44 Currie Street
Adelaide SA 5000

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 24 February 2020.

Directors' Report

The directors present their report, together with the financial statements of Uniti Group Limited and all controlled entities (referred to hereafter as the 'Company' or 'the Group') for the half-year ended 31 December 2019.

Directors

The following persons were directors of Uniti Group Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

<i>Name:</i>	<i>Position:</i>	<i>Date appointed:</i>
Graeme Barclay	Non-Executive Chairman	20 September 2018
John Lindsay	Non-Executive Director	15 May 2018
Kathy Gramp	Non-Executive Director	15 May 2018
Vaughan Bowen	Executive Director	13 March 2019
Michael Simmons	CEO and Managing Director	6 June 2019

Principal activities

During the current financial half-year, the principal continuing activities of the Group consisted of the construction of broadband telecommunications infrastructure, the provision of internet and associated telecommunications products and services over owned and resold telecommunications networks, the sale of inbound and outbound voice and messaging services and the licensing of proprietary phone numbers held by the Company .

During the current financial half-year, the Group's trading and activities were significantly improved by the acquisitions of LBNCo Pty Ltd and its related bodies corporate (LBNCo), OPENetworks Pty Ltd (OPENetworks) and 1300 Australia Pty Ltd and its related bodies corporate (1300 Australia), which transformed the Group to a profitable trading position with positive operating cash flows.

Dividends

There was no dividend declared or paid for the half-year ended 31 December 2019.

Review of Operations

The Company recorded underlying Earnings before Interest Tax Depreciation and Amortisation (EBITDA) of \$7.2m for the financial half year ended 31 December 2019, compared to a EBITDA Loss for the corresponding period last year of \$1.6m. Underlying earnings adjusts statutory earnings for one off significant items related to the acquisition of businesses during the half year, including the amortisation of customer contracts acquired as part of an acquisition, and for non-cash share based payments.

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For the financial half year ended 31 December 2019, the Company recorded an Income Tax Benefit of \$5.4m representing the recognition of income tax losses incurred by the Company in prior periods. The transition to significant profits before tax in the current half year has meant that the realisation of accumulated tax losses being recouped against current and future taxable income are more certain, requiring the recording of the future income tax benefit.

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Provision for impairment	-	347	347
Underlying EBITDA	7,195	(1,554)	8,749

(1) Costs incurred on the acquisition of LBNCo Pty Ltd and its related bodies corporate (LBNCo), OPENetworks Pty Ltd (OPENetworks) and 1300 Australia Pty Ltd (1300 Australia) and its related entities of \$2.5m. In addition, non-recurring restructure costs of \$0.4m were incurred.

Significant changes in the state of affairs

On 1 October 2019 the Company acquired 100% of the ordinary shares of LBNCo for the total consideration of \$100m, excluding cash and debt. The acquisition consisted of a cash payment of \$88.6m and the issue of shares in the Company for \$11.4m. LBNCo is a builder and wholesale operator of private fibre networks, predominantly comprised of fibre-to-the-premises (FTTP) high speed data services to multi-dwelling units and broad acre residential estates. It should be noted that there remains deferred consideration which may be payable by LBNCo to the former shareholders of Capital Fibre Networks (which LBNCo acquired on or about the time of the acquisition of LBNCo by the Company). Entitlement to payment is subject to conditions being satisfied. The full entitlement has been recorded as Deferred Consideration in the half year Balance Sheet on the assumption all terms for payment are met.

On 1 November 2019 the Company acquired 100% of the ordinary shares of OPENetworks for the total consideration of \$27.7m excluding cash and debt. The acquisition consisted of a cash payment of \$18.3m and the issue of shares in the Company for \$9.4m. OPENetworks is a builder and wholesale operator of private fibre networks, predominantly comprised of fibre-to-the-premises (FTTP) high speed data services to multi-dwelling units.

On 1 December 2019 the Company acquired 100% of the ordinary shares of 1300 Australia for the total consideration of \$78.0m, excluding cash and debt. The acquisition consisted of a cash payment of \$58.0m and the issue of shares in the Company for \$20.0m. 1300 Australia is Australia's market leader in phone words, holding the largest inventory of phone words nationally, with approximately 4,500 priority numbers ('1300', '1800' and '13') currently licensed to businesses and a further circa 7,000 phone words and priority numbers available to be licensed.

The above-mentioned acquisitions were funded by two share capital raises completed during the period. In September 2019, a placement and non-renounceable rights issue was completed, raising \$100m (before costs) at \$1.20 per share issued. A placement and rights issue was completed in December 2019, raising \$85m (before costs) at \$1.62 per share issued. Surplus funds from the December raising have been added to the Company's reserves to enable it to actively pursue its inorganic growth strategy, with cash and cash equivalents of \$33.6m as at 31 December 2019.

The above acquisitions combined with the profit contribution of acquisitions made in the half year ended 30 June 2019 and the organic growth plus cost efficiencies of all acquisitions has meant the Company has transitioned to significant profitability and is

Directors' Report

net operating cash flow positive to such an extent the realisation of accumulated tax losses is reasonably certain to require the recognition of the potential tax benefit of those losses.

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

Rounding of amounts

The Company is of a kind referred to in Corporations 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, or in certain cases, the nearest dollar.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

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

On behalf of the directors



Graeme Barclay
Chairman

24 February 2020



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The Board of Directors
Uniti Group Limited
Level 1, 44 Currie St
Adelaide, SA, 5000

24 February 2020

Dear Board Members

Uniti Group Limited

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

As lead audit partner for the review of the financial statements of Uniti Group Limited for the half-year ended 31 December 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

DELOITTE TOUCHE TOHMATSU

Chris Biermann
Partner
Chartered Accountants

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Uniti Group Limited
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2019

	Note	Consolidated	
		31 Dec 19 \$'000	31 Dec 18 \$'000
Revenue	2	22,046	3,063
Expenses:			
Network and hardware expenses		(7,419)	(912)
Employee benefits expense	3	(6,622)	(4,668)
Depreciation and amortisation	3	(2,648)	(1,105)
Other expense		(5,752)	(3,037)
Finance costs	3	(310)	(563)
Loss before income tax expense		(705)	(7,222)
Income tax benefit / (expense)		5,818	-
Profit / (Loss) after income tax expense for the half-year		5,113	(7,222)
Other comprehensive income		-	-
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income / (Loss) for the half-year		5,113	(7,222)
	Note	Cents	Cents
Basic profit / (loss) earnings per share attributable to the owners of UWL	12	2.3	(15.8)
Diluted profit / (loss) earnings per share attributable to the owners of UWL	12	2.1	(15.8)

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

Uniti Group Limited
Consolidated statement of financial position
As at 31 December 2019

	Note	Consolidated	
		31 Dec 19 \$'000	30 Jun 19 \$'000
Assets			
Current Assets			
Cash and cash equivalents		33,569	19,131
Trade and other receivables		4,743	1,507
Inventories		1,259	275
Deposits and prepayments		1,993	608
Contract assets		1,054	824
Total current assets		42,618	22,345
Non-Current Assets			
Right of use assets	4	4,196	4,464
Property, plant and equipment	5	41,635	3,589
Intangibles	6	206,655	20,920
Total non-current assets		252,486	28,973
Total Assets		295,104	51,318
Liabilities			
Current Liabilities			
Trade and other payables		9,996	4,668
Contract liabilities		2,661	472
Borrowings		745	735
Right of use liability		1,545	1,091
Employee benefits		1,216	254
Provisions		653	124
Deferred consideration		5,386	6,546
Total current liabilities		22,202	13,891
Non-Current Liabilities			
Trade and other payables		25	1,500
Contract liabilities		1,470	26
Borrowings		1,350	1,725
Right of use liability		5,268	5,789
Employee benefits		34	33
Deferred tax liability		2,625	-
Deferred consideration		2,396	2,484
Total non-current liabilities		13,168	11,557
Total liabilities		35,370	25,448
Net Assets		259,734	25,870
Equity			
Issued capital	7	273,439	46,691
Reserves	8	3,286	1,283
Accumulated losses		(16,991)	(22,104)
Total equity		259,734	25,870

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

Uniti Group Limited
Consolidated statement of changes in equity
For the half-year ended 31 December 2019

	Note	Issued capital \$'000	Share based payment reserve \$'000	Retained earnings \$'000	Total equity \$'000
Consolidated					
Balance at 1 July 2018		11,907	-	(8,573)	3,334
Loss for the period		-	-	(7,222)	(7,222)
Share based payments		675	2,226	-	2,901
Issue of shares (Net of transaction costs)		-	-	-	-
Balance at 31 December 2018		12,582	2,226	(15,795)	(987)

		Issued capital \$'000	Share based payment reserve \$'000	Retained earnings \$'000	Total equity \$'000
Consolidated					
Balance at 1 July 2019		46,691	1,283	(22,104)	25,870
Profit for the period		-	-	5,113	5,113
Share based payments		-	1,686	-	1,686
Reserve reclassification		(317)	317	-	-
Issue of shares to vendors on acquisition (net of transaction costs):					
Issue of shares to Pivit Vendors		78	-	-	78
Issue of shares to Fone Dynamics Vendors		6,635	-	-	6,635
Issue of shares to LBNCo Vendors		11,150	-	-	11,150
Issue of shares to OPENetworks Vendors		9,363	-	-	9,363
Issue of shares to 1300 Australia Vendors		19,968	-	-	19,968
		47,194	-	-	47,194
Contributions of equity (Net of transaction costs):	7	179,871	-	-	179,871
Balance at 31 December 2019		273,439	3,286	(16,991)	259,734

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

Uniti Group Limited
Consolidated statement of cash flows
For the half-year ended 31 December 2019

	Consolidated	
	31 Dec 19	31 Dec 18
	\$'000	\$'000
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	25,479	3,229
Payments to suppliers and employees (inclusive of GST)	(21,930)	(5,632)
Interest received	55	10
Interest and other finance costs paid	(215)	(141)
Income tax refund	246	-
Net cash from / (used in) operating activities	3,635	(2,534)
Cash flows used in investing activities		
Payment for purchase of business, net of cash acquired	(164,401)	(1,500)
Payments to suppliers for the business acquisitions	(1,570)	-
Payments for property, plant and equipment	(2,108)	(1,432)
Payments for other non-current assets	-	-
Payments for intangible assets	-	(118)
Net cash used in investing activities	(168,079)	(3,050)
Cash flows from financing activities		
Proceeds from borrowings	-	3,000
Proceeds from issue of convertible notes	-	2,938
Proceeds from grant received	-	750
Proceeds from issue of shares	185,078	-
Share issue transaction costs	(5,395)	(425)
Repayment of borrowings and lease payments	(801)	(505)
Net cash from financing activities	178,882	5,758
Net increase in Cash and cash equivalents	14,438	174
Cash and cash equivalents at the beginning of the financial year	19,131	847
Cash and cash equivalents at the end of the financial half-year	33,569	1,021

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

Note 1. Significant accounting policies

Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 *“Interim Financial Reporting”*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *“Interim Financial Reporting”*. The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

Basis of preparation

The condensed consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The company is a company of the kind referred to in ASIC Corporations (Rounding in Financial/Directors’ Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company’s 2019 annual financial report for the financial year ended 30 June 2019. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

Note 2. Revenue

	Consolidated	
	31 Dec 19 \$'000	31 Dec 18 \$'000
<i>Revenue from contracts with customers</i>		
Sale of goods	265	129
Rendering of services	21,455	2,924
	<u>21,720</u>	<u>3,053</u>
<i>Other income</i>		
Interest revenue	150	10
R&D tax incentive revenue	153	-
Other revenue	23	-
Revenue and other income	<u>22,046</u>	<u>3,063</u>

Disaggregation of revenue

The disaggregation of revenue from contracts with customers is as follows:

	Consolidated	
	31 Dec 19 \$'000	31 Dec 18 \$'000
<i>Major product lines</i>		
Internet Service Provider	15,703	3,053
Telecommunications	6,017	-
	<u>21,720</u>	<u>3,053</u>
<i>Geographical regions</i>		
Australia	21,720	3,053
	<u>21,720</u>	<u>3,053</u>
<i>Timing of revenue recognition</i>		
Goods transferred at a point in time	265	129
Services transferred over time	21,455	2,924
	<u>21,720</u>	<u>3,053</u>

Note 3. Expenses

Profit / (Loss) before income tax from continuing operations includes the following specific expenses:

	Consolidated	
	31 Dec 19 \$'000	31 Dec 18 \$'000
<i>Finance costs</i>		
Interest and finance charges paid/payable	51	91
Interest on convertible notes	-	92
Interest on lease liability	259	380
	310	563
<i>Depreciation and Amortisation</i>		
Depreciation of owned assets	1,413	469
Depreciation of right of use assets	576	636
Amortisation of intangible assets	659	-
	2,648	1,105
<i>Employee Benefit expense</i>		
Wages and related on-costs	4,617	2,442
Share-based payment expense	2,005	2,226
	6,622	4,668
<i>Acquisition expense</i>		
Cost associated with the acquisition of FuzeNet Pty Ltd	-	363
Cost associated with the acquisition of Call Dynamics Pty Ltd	2	-
Cost associated with the acquisition of Fone Dynamics Pty Ltd	4	-
Cost associated with the acquisition of LBNCo Ltd	1,188	-
Cost associated with the acquisition of OPENetworks Pty Ltd	441	-
Cost associated with the acquisition of 1300 Australia Pty Ltd	882	-
	2,517	363

Note 4. Non-Current assets - Right of use assets

	Office Leases	Plant and Equipment	Network Infrastructure	Motor Vehicles	Total
Consolidated	\$'000	\$'000	\$'000	\$'000	\$'000
30 Jun 19					
Cost	1,233	130	5,479	94	6,936
Accumulated depreciation	(664)	(61)	(1,705)	(42)	(2,472)
	569	69	3,774	52	4,464
31 Dec 19					
Cost	1,800	130	6,692	94	8,716
Accumulated depreciation	(866)	(70)	(3,527)	(57)	(4,520)
	934	60	3,165	37	4,196
<i>Reconciliation:</i>					
Balance at 1 July 2019	569	69	3,774	52	4,464
Acquired through business combinations (Note 13)	844	-	-	-	844
Disposals	(461)	-	(68)	(7)	(536)
Depreciation expense	(18)	(9)	(541)	(8)	(576)
Balance at 31 December 2019	934	60	3,165	37	4,196

Note 5. Non-current assets - property, plant and equipment

Consolidated	Leasehold Improvements \$'000	Plant and Equipment \$'000	Network Infrastructure \$'000	Total \$'000
30 Jun 19				
Cost	219	1,227	7,503	8,949
Accumulated depreciation	(72)	(756)	(4,532)	(5,360)
	147	471	2,971	3,589
31 Dec 19				
Cost	219	1,521	46,668	48,408
Accumulated depreciation	(87)	(1,302)	(5,384)	(6,773)
	132	219	41,284	41,635
<i>Reconciliation:</i>				
Balance at 1 July 2019	147	471	2,971	3,589
Acquired through business combinations (Note 13)	-	464	35,856	36,320
Net additions	-	72	3,309	3,381
Measurement period adjustments (Note 13)	-	(242)	-	(242)
Depreciation expense	(15)	(546)	(852)	(1,413)
Balance at 31 December 2019	132	219	41,284	41,635

Note 6. Non-current assets – intangibles

Consolidated	Goodwill \$'000	Customer Contracts \$'000	Brand \$'000	Software \$'000	Other Intangibles \$'000	Total \$'000
30 Jun 19						
Cost	13,451	7,070	-	1,305	258	22,084
Accumulated amortisation	-	(539)	-	(625)	-	(1,164)
	13,451	6,531	-	680	258	20,920
31 Dec 19						
Cost	176,839	25,060	4,513	1,640	426	208,478
Accumulated amortisation	-	(1,154)	-	(654)	(15)	(1,823)
	176,839	23,906	4,513	986	411	206,655
<i>Reconciliation:</i>						
Balance at 1 July 2019	13,451	6,531	-	680	258	20,920
Acquired through business combinations (Note 13)	162,154	19,550	1,683	330	-	183,717
Measurement period adjustments (Note 13)	1,234	(1,560)	2,830	-	-	2,504
Net additions/(disposals)	-	-	-	5	168	173
Amortisation expense	-	(615)	-	(29)	(15)	(659)
Balance at 31 December 2019	176,839	23,906	4,513	986	411	206,655

Note 7. Equity - issued capital

	Consolidated			
	31 Dec 19 Shares	30 Jun 19 Shares	31 Dec 19 \$'000	30 Jun 19 \$'000
Ordinary shares - fully paid	323,758,860	147,034,060	273,439	46,691

Movements in ordinary share capital (net of transaction costs)

Details	Date	Shares	Issue price	\$'000
Balance	01 Jul 19	147,034,060		46,691
Issue of shares to Pivit Vendor	04 Jul 19	56,196	1.42	78
Issue of shares to Fone Dynamics Vendor	12 Aug 19	12,556,059	0.53	6,635
Issue of shares	26 Aug 19	15,548,988	1.20	15,908
Rights issue	26 Aug 19	19,131,363	1.20	22,898
Rights issue	20 Sep 19	48,803,240	1.20	58,558
Issue of shares to LBNCo Vendor	30 Sep 19	9,384,755	1.20	11,150
Issue of shares to OPENetworks Vendor	31 Oct 19	6,492,425	1.45	9,363
Issue of shares	11 Dec 19	26,505,383	1.62	40,628
Rights issue	11 Dec 19	17,105,166	1.62	27,633
Rights issue	27 Dec 19	8,795,543	1.62	14,246
Issue of shares to 1300 Australia Vendor	16 Dec 19	12,345,682	1.62	19,968
Reserve reclassification	n/a	n/a	n/a	(317)
Balance		323,758,860		273,439

Note 8. Equity – reserves

	Consolidated	
	31 Dec 19 \$'000	30 Jun 19 \$'000
Share Option Reserve	3,286	1,283

The reserve is used to recognise the fair value of share-based payments, in particular options issued to Directors and Management.

Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:

Consolidated	Share Options \$'000
Balance at 1 July 2019	1,283
Reclassification of reserves	317
Vesting of options issued	1,686
Balance at 31 December 2019	3,286

The Options have been valued using a Black Scholes methodology based on the share price at grant date, exercise price (various based on vesting dates), Risk Free rate and length of term to expiry.

Note 9. Contingent assets and liabilities

As at 31 December 2019, there are no contingent assets or liabilities.

Note 10. Related party transactions

Uniti Group Limited has a contractual agreement for a number of tower network leases in the ordinary course of business, on commercial terms and at market rates with Axicom Pty Ltd, which is a Director related entity (Graeme Barclay). Uniti Group paid \$214,000 to Axicom during the half-year and owed \$342,000 as at 31 December 2019 recorded in trade and other payables. These leases were entered into prior to Mr Barclay's appointment as a Director of the Company.

Uniti Group spent \$6,000 with BSA Limited during the half-year, on commercial terms and at market rates, which is a Director related entity (Graeme Barclay), with \$6,000 outstanding as at 31 December 2019. Mr Barclay resigned from the BSA board in December 2019.

Note 11. Events after the reporting period

There have been no significant events subsequent to Balance Date.

Note 12. Earnings per share (EPS)

	Consolidated	
	31 Dec 19	31 Dec 18
	\$'000	\$'000
Profit/(loss) after income tax	5,113	(7,222)
Profit/(loss) after income tax attributable to the owners of UWL	5,113	(7,222)
<i>Weighted average number of ordinary shares</i>	Number	Number
Weighted average number of ordinary shares used in calculating basic EPS	220,885,800	45,741,200
<i>Adjustments for calculation of EPS:</i>		
Options over ordinary shares	19,402,657	-
Weighted average number of ordinary shares used in calculating diluted EPS	240,288,457	45,741,200
	Cents	Cents
Basic profit / (loss) per share	2.3	(15.8)
Diluted profit / (loss) per share	2.1	(15.8)

Note 13. Business combinations

On 16 December 2019 Uniti Group Limited, acquired 100% of the ordinary shares of 1300 Australia Pty Ltd (1300 Australia) for the total consideration of \$79,544,000, with date of economic control being 1 December 2019. This is a Telecommunication Service Provider. The goodwill of \$64,616,000 represents the future economic benefit of future customer contracts, assembled workforce, management strength and potential future sales in new geographic locations through product scalability. The acquired business contributed revenues of \$1,569,000 and profit after tax of \$856,000 to the consolidated entity for the period from 1 December to 31 December 2019. Disclosure of the full half-year contributions for revenue and profit after tax for 1300 Australia is impractical due to the changes that have occurred during the year readying the business for sale. Disclosure of the actual results for the full year would be misleading to users. The values identified in relation to the acquisition of 1300 Australia are provisional as at 31 December 2019, with the main items outstanding being management's final assessment of the draft valuation report in relation to the acquired intangible assets and finalisation of tax balances.

Details of the acquisition are as follows:

	Provisional \$'000
Cash and cash equivalents	2,500
Trade receivables	873
Prepayments	250
Inventories	88
Other assets	55
Right of use assets	318
Plant and equipment	164
Customer contract valuation	17,977
Brand valuation	887
Trade payables	(896)
Other payables	(1,823)
Deferred tax liability	(5,158)
Employee benefits provision	(307)
Net assets acquired	14,928
Goodwill	64,616
Acquisition-date fair value of the total consideration transferred	79,544
<i>Representing:</i>	
Cash payable to vendor	59,544
Shares to be issued in lieu of cash paid	20,000
	79,544
Cash used to acquire the business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	59,544
Less: Cash and cash equivalents	(2,500)
Net Cash used in the financial half-year ended 31 December 2019	57,044

Note 13. Business combinations (continued)

On 1 October 2019 Uniti Group Limited, acquired 100% of the ordinary shares of LBNCo Pty Ltd (LBNCo) for the total consideration of \$102,900,000. This is a Telecommunication Service Provider. The goodwill of \$79,811,000 represents the future economic benefit of future customer contracts, assembled workforce, management strength and potential future sales in new geographic locations through product scalability. The acquired business contributed revenues of \$5,842,000 and profit after tax of \$1,872,000 to the consolidated entity for the period from 1 October to 31 December 2019. Disclosure of the full half-year contributions for revenue and profit after tax for LBNCo is impractical due to the changes that have occurred during the year readying the business for sale. Disclosure of the actual results for the full year would be misleading to users. The values identified in relation to the acquisition of LBNCo are provisional as at 31 December 2019, with the main items outstanding being management's final assessment of the draft valuation report in relation to the acquired intangible assets and finalisation of tax balances.

Details of the acquisition are as follows:

	Provisional
	\$'000
Cash and cash equivalents	2,556
Trade receivables	3,321
Prepayments	502
Inventories	588
Right of use assets	402
Plant and equipment	28,223
Brand valuation	664
Trade payables	(2,398)
Other Payables	(950)
Deferred revenue	(1,573)
Employee benefits provision	(1,566)
Lease liability	(508)
Deferred consideration	(5,404)
Net deferred tax liability	(768)
Net assets acquired	23,089
Goodwill	79,811
Acquisition-date fair value of the total consideration transferred	102,900
<i>Representing:</i>	
Cash payable to vendor	91,542
Shares to be issued in lieu of cash paid	11,358
	102,900
Cash used to acquire the business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	91,542
Less: Cash and Cash equivalents	(2,556)
Net Cash used in the financial half-year ended 31 December 2019	88,986

Note 13. Business combinations (continued)

On 1 November 2019 Uniti Group Limited, acquired 100% of the ordinary shares of OPENetworks Pty Ltd (OPENetworks) for the total consideration of \$28,005,000. This is a Telecommunication Service Provider. The goodwill of \$17,727,000 represents the future economic benefit of future customer contracts, assembled workforce, management strength and potential future sales in new geographic locations through product scalability. The acquired business contributed revenues of \$783,000 and profit after tax of \$497,000 to the consolidated entity for the period from 1 October to 31 December 2019. Disclosure of the full half-year contributions for revenue and profit after tax for OPENetworks is impractical due to the changes that have occurred during the year readying the business for sale. Disclosure of the actual results for the full year would be misleading to users. The values identified in relation to the acquisition of OPENetworks are provisional as at 31 December 2019, with the main items outstanding being management's final assessment of the draft valuation report in relation to the acquired intangible assets and finalisation of tax balances.

Details of the acquisition are as follows:

	Provisional \$'000
Cash and cash equivalents	245
Trade receivables	365
Inventories	473
Right of use assets	124
Plant and equipment	8,262
Customer Contract Valuation	1,573
Brand valuation	132
Trade payables	(17)
Other Payables	(21)
Net deferred tax liability	(413)
Employee benefits provision	(325)
Lease liability	(120)
Net assets acquired	10,278
Goodwill	17,727
Acquisition-date fair value of the total consideration transferred	28,005
<i>Representing:</i>	
Cash payable to vendor	18,616
Shares to be issued in lieu of cash paid	9,389
	28,005
Cash used to acquire the business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	18,616
Less: Cash and Cash equivalents	(245)
Net Cash used in the financial half-year ended 31 December 2019	18,371

Note 13. Business combinations (continued)

On 11 February 2019 Uniti Group Limited, acquired 100% of the ordinary shares of Fuzenet Pty Ltd (Fuzenet). The values identified and reported in relation to the acquisition of Fuzenet were provisional as at 30 June 2019. The final values are as follows:

	Final \$'000
Cash and cash equivalents	529
Trade receivables	802
Prepayments	39
Plant and equipment	981
Customer contract valuation	2,544
Brand valuation	1,868
Trade payables	(1,516)
Other Payables	(1,342)
Net deferred tax liability	(1,168)
Lease liability	(3)
Employee benefits provision	(113)
Net assets acquired	2,621
Goodwill	7,326
Acquisition-date fair value of the total consideration transferred	9,947
<i>Representing:</i>	
Cash payable to vendor	8,297
Shares to be issued in lieu of cash paid	1,650
	9,947
Cash used to acquire the business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	8,297
Less: Cash and Cash equivalents	(529)
Net Cash used in the financial year ended 30 June 2019	7,768
<i>Reconciliation:</i>	
Goodwill at 30 June 2019	6,496
Measurement period adjustments:	
Trade receivables	(49)
Customer contract valuation	(1,452)
Brand valuation	1,868
Trade payables	(28)
Deferred tax liability	(1,168)
Other payables	29
Employee benefits provision	(30)
Net assets acquired	(830)
Goodwill at 31 December 2019	7,326

Note 13. Business combinations (continued)

On 1 June 2019 Uniti Group Limited, acquired 100% of the ordinary shares of Fone Dynamics Pty Ltd (Fone). The values identified and reported in relation to the acquisition of Fone were provisional as at 30 June 2019. The final values are as follows:

	Final \$'000
Cash and cash equivalents	104
Prepayments	13
Trade receivables	348
Other assets	285
Plant and equipment	208
Customer contract valuation	2,543
Brand valuation	773
Trade payables	(614)
Other Payables	(298)
Deferred tax liability	(776)
Employee Benefits Provision	(49)
Net assets acquired	2,537
Goodwill	5,863
Acquisition-date fair value of the total consideration transferred	8,400
<i>Representing:</i>	
Cash payable to vendor	-
Shares to be issued in lieu of cash paid	8,400
	8,400
Cash used to acquire the business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	-
Less: Cash and Cash equivalents	(104)
Net Cash used in the financial year ended 30 June 2019	(104)
<i>Reconciliation:</i>	
Goodwill at 30 June 2019	5,967
Measurement period adjustments:	
Trade receivables	(59)
Plant and equipment	(242)
Customer contract valuation	404
Brand valuation	773
Deferred tax liability	(776)
Other payables	4
Net assets acquired	104
Goodwill at 31 December 2019	5,863

Note 13. Business combinations (continued)

On 1 June 2019, Uniti Group Limited, acquired 100% of the ordinary shares of Call Dynamics Pty Ltd (Call). The values identified and reported in relation to the acquisition of Call were provisional as at 30 June 2019. The final values are as follows:

	Final \$'000
Cash and cash equivalents	117
Trade receivables	15
Other	55
Plant and equipment	42
Customer contract valuation	422
Brand valuation	188
Trade payables	(65)
Other payables	(70)
Income tax payable	(17)
Net Deferred Tax Liability	(174)
Employee Benefits Provision	(9)
Net assets acquired	504
Goodwill	1,496
Acquisition-date fair value of the total consideration transferred	2,000
<i>Representing:</i>	
Cash payable to vendor	1,260
Shares to be issued in lieu of cash paid	740
	2,000
Cash used to acquire the business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	630
Less: Cash and Cash equivalents	(117)
Net Cash used in the financial year ended 30 June 2019	513
<i>Reconciliation:</i>	
Goodwill at 30 June 2019	988
Measurement period adjustments:	
Customer contract valuation	(512)
Brand valuation	188
Net deferred tax liability	(174)
Trade and other payables	(10)
Net assets acquired	(508)
Goodwill at 31 December 2019	1,496

Uniti Group Limited
Directors' Declaration

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors



Graeme Barclay
Chairman
24 February 2020



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Independent Auditor's Review Report to the members of Uniti Group Limited

We have reviewed the accompanying half-year financial report of Uniti Group Limited, which comprises the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 4 to 20.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 July 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Uniti Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Asia Pacific Limited and the Deloitte Network.

Deloitte.


Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Uniti Group Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

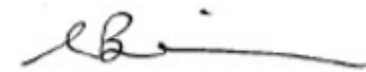
Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Uniti Group Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



DELOITTE TOUCHE TOHMATSU



Chris Biermann Partner
Chartered Accountants
Melbourne, 24 February 2020