

**NETLINK NBN TRUST
AND ITS SUBSIDIARIES**

INTERIM FINANCIAL STATEMENTS ANNOUNCEMENT

FOR THE SIX MONTHS AND FULL YEAR

ENDED 31 MARCH 2022

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NETLINK NBN TRUST AND ITS SUBSIDIARIES FOR THE FINANCIAL YEAR ENDED 31 MARCH 2022

INTRODUCTION

NetLink NBN Trust (the “Trust”) is a business trust constituted in Singapore pursuant to a trust deed under the laws of Republic of Singapore. The Trust was listed on 19 Jul 2017 on the Main Board of the Singapore Exchange Securities Trading Limited (“SGX-ST”). NetLink Trust, an unregistered business trust, is wholly owned by the Trust. 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.

**NETLINK NBN TRUST AND ITS SUBSIDIARIES
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2022**

SUMMARY OF THE NETLINK GROUP RESULTS

	Half Year Ended 31 Mar			Financial Year Ended 31 Mar		
	2022	2021	Variance	2022	2021	Variance
	("H2 FY22")	("H2 FY21")		("FY22")	("FY21")	
\$'000	\$'000	%	\$'000	\$'000	%	
	(Unaudited)	(Unaudited)		(Audited)	(Audited)	
Revenue ⁽¹⁾	189,681	187,001	1.4	377,611	368,466	2.5
EBITDA ⁽²⁾⁽³⁾⁽⁴⁾	140,350	130,503	7.5	266,941	270,237	(1.2)
EBITDA margin	74.0%	69.8%	4.2 pp	70.7%	73.3%	(2.6 pp)
Profit after tax ("PAT")⁽²⁾⁽³⁾	51,180	50,019	2.3	91,262	94,812	(3.7)

Note:

- (1) Revenue for H2 FY22 and FY22 were higher than H2 FY21 and FY21 by 1.4% and 2.5% respectively. The increase in H2 FY22 was mainly due to higher connections revenue (residential, non-residential, NBAP and segment). This was partially offset by lower Central Office revenue. Revenue for FY22 was higher than FY21 mainly due to higher residential, NBAP & segment connections revenue, installation-related revenue and ancillary project revenue^(a). This was partially offset mainly by lower Central Office revenue.
- (2) EBITDA and PAT for H2 FY22 was higher than H2 FY21 by 7.5% and 2.3% respectively. The increase in H2 FY22 EBITDA by \$9.8 million was mainly due to the one-off write-off of capitalised project costs of \$7.4 million in the prior corresponding period in relation to the discontinuation of an IT contract. PAT for H2 FY22 was higher than H2 FY21 mainly due to higher EBITDA, partially offset by higher finance costs and lower income tax credit.
- (3) Despite 2.5% higher revenue, EBITDA and PAT for FY22 were lower than FY21 by 1.2% and 3.7% respectively. These decreases were mainly due to a remeasurement loss of \$12.4 million relating to finance lease receivables arising from the reduction in rental rates upon the renewal of the Central Office lease agreements with the lessee from Sep 2021^(b). The EBITDA variance was also due to \$5.7 million lower net government grants received in FY22 and a \$7.4 million write-off of capitalised project costs in FY21 in relation to the discontinuation of an IT contract as mentioned in paragraph 2 above.

The reduction in rental rates did not have a material cashflow impact for FY22 nor is it expected to have a material cashflow impact for each of the subsequent years. The accounting standards require the reduction in rental rate for FY22 and subsequent years (i.e. remaining lease term of the leasehold ranging from 47 to 67 years) to be recognised upfront as the remeasurement loss described above.

Further details of the NetLink Group's financial performance are provided in Note 20.

- (4) 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.

(a) Diversion revenue and certain other revenue have been reclassified to ancillary project revenue. The reclassification is to better reflect and to consolidate the revenue derived from ancillary project activities of the Group. Further details of the reclassification are provided in Note 19.

(b) Further details of the remeasurement loss relating to the finance lease receivables are provided in Note 8.

**NETLINK NBN TRUST AND ITS SUBSIDIARIES
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2022**

DISTRIBUTION STATEMENT

Cash Available For Distribution ("CAFD")	FY22 \$'000 (Unaudited)	FY21 \$'000 (Unaudited)
Profit before income tax	87,078	91,642
Add: Depreciation and amortisation	169,723	167,792
Add: Other non-cash item	17,006	3,577
(Less)/add: Changes in working capital	(11,133)	8,586
Less: Cash taxes	(3,929)	(7,085)
Less: Purchase of property, plant and equipment	(73,879)	(60,246)
Less: Repayment of lease liabilities	(3,857)	(4,248)
Less: Payment of loan arrangement fee	(2,592)	(920)
Cash utilised from/(held in) reserves and provisions for capital expenditures and working capital including carve-out for Capex Reserve ⁽¹⁾ (see Distribution Policy)	21,497	(1,132)
CAFD	<u>199,914</u>	<u>197,966</u>
Distributions Attributable for the Financial Year⁽²⁾	<u>199,914</u>	<u>197,966</u>

Note:

(1) Capex Reserve comprises monies set aside each year for at least 20% of capital expenditure reserve fund, which cumulates to \$40.0 million over the five-year period from 1 Jan 2018 to 31 Dec 2022, to meet regulatory requirements from Infocomm Media Development Authority ("IMDA") for any new network infrastructure projects that improve the capacity, technology, capability or resilience of NLT's network infrastructure. As at 31 Mar 2022, NLT had already incurred \$35.3 million of the Capex Reserve to improve network resiliency and expand capacity, which is \$1.3 million more than the prevailing Capex Reserve required of \$34.0 million. Hence, no further fund is set aside as at 31 Mar 2022.

(2) Total distributions paid/payable

	FY22 \$'000 (Audited)	FY21 \$'000 (Audited)	Payment Date
1 Apr 2020 – 30 Sep 2020	-	98,593	4 Dec 2020
1 Oct 2020 – 31 Mar 2021	-	99,373	9 Jun 2021
1 Apr 2021 – 30 Sep 2021	99,762	-	1 Dec 2021
1 Oct 2021 – 31 Mar 2022	100,152	-	10 Jun 2022
	<u>199,914</u>	<u>197,966</u>	

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NETLINK NBN TRUST AND ITS SUBSIDIARIES FOR THE FINANCIAL YEAR ENDED 31 MARCH 2022

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 \$99,762,460 or 2.56 Singapore cents per Unit was declared for NetLink Group's distribution period from 1 Apr 2021 to 30 Sep 2021. A distribution in the total amount of \$100,152,157 or 2.57 Singapore cents per Unit is declared for the NetLink Group's distribution period from 1 Oct 2021 to 31 Mar 2022 and will be payable on 10 Jun 2022 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 FINANCIAL YEAR ENDED 31 MARCH 2022**

INTERIM CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Group	Note	H2 FY22	H2 FY21	Variance	FY22	FY21	Variance
		\$'000 (Unaudited)	\$'000 (Unaudited)	(%)	\$'000 (Audited)	\$'000 (Audited)	(%)
Revenue		189,681	187,001	1.4	377,611	368,466	2.5
Other income	6.1	1,920	3,793	(49.4)	3,195	9,968	(67.9)
Expenses							
Operation and maintenance costs		(10,164)	(8,499)	19.6	(18,892)	(16,542)	14.2
Installation costs		(4,977)	(5,616)	(11.4)	(10,090)	(9,541)	5.8
Ancillary project direct costs ^(a)		(3,826)	(3,582)	6.8	(6,753)	(6,809)	(0.8)
Depreciation and amortisation	6.2	(84,955)	(84,332)	0.7	(169,723)	(167,792)	1.2
Staff costs		(12,973)	(15,598)	(16.8)	(27,455)	(29,959)	(8.4)
Finance costs	6.3	(5,160)	(1,634)	215.8	(10,479)	(11,281)	(7.1)
Management fee		(518)	(523)	(1.0)	(1,016)	(1,024)	(0.8)
Other operating expenses	6.4	(18,622)	(26,298)	(29.2)	(49,320)	(43,844)	12.5
Total expenses		(141,195)	(146,082)	(3.3)	(293,728)	(286,792)	2.4
Profit before income tax		50,406	44,712	12.7	87,078	91,642	(5.0)
Income tax credit	7	774	5,307	(85.4)	4,184	3,170	32.0
Profit after income tax		51,180	50,019	2.3	91,262	94,812	(3.7)
Profit attributable to:							
Unitholders of the Trust		51,180	50,019	2.3	91,262	94,812	(3.7)
Other comprehensive income/(loss)							
Items that may be subsequently reclassified to profit or loss							
Cash flow hedges		17,068	(3,277)	N.M.	20,616	(861)	N.M.
Total comprehensive income attributable to:							
Unitholders of the Trust		68,248	46,742	46.0	111,878	93,951	19.1
Earnings per unit:							
- basic and diluted		1.31 cents	1.28 cents		2.34 cents	2.43 cents	
Weighted average number of units ('000) in issue for calculation of basic and diluted earnings per unit							
		3,896,971	3,896,971		3,896,971	3,896,971	

(a) Diversion costs and certain operations and maintenance costs have been reclassified to ancillary project direct costs. The reclassification is to better reflect and to consolidate the expenses derived from ancillary project activities of the Trust.

Further details of the reclassification are provided in Note 19.

N.M.: not meaningful

**NETLINK NBN TRUST AND ITS SUBSIDIARIES
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2022**

INTERIM STATEMENTS OF FINANCIAL POSITION (GROUP AND TRUST)

	Note	Group		Trust	
		As at 31 Mar 2022 \$'000 (Audited)	As at 31 Mar 2021 \$'000 (Audited)	As at 31 Mar 2022 \$'000 (Audited)	As at 31 Mar 2021 \$'000 (Audited)
ASSETS					
Current assets					
Cash and bank deposits		149,818	170,536	57,774	58,434
Trade and other receivables		66,020	44,554	117	93
Contract assets		29,650	25,894	-	-
Finance lease receivables	8	201	233	-	-
Inventories		4,100	5,161	-	-
Other current assets		5,496	5,157	173	210
		255,285	251,535	58,064	58,737
Non-current assets					
Finance lease receivables	8	66,711	80,507	-	-
Property, plant and equipment	9	2,830,678	2,927,436	-	-
Derivative financial instruments	10	20,616	-	-	-
Right-of-use assets		35,658	36,815	-	-
Rental deposits		240	220	-	-
Goodwill	11	746,854	746,854	-	-
Licence		75,850	80,088	-	-
Investment in subsidiaries		-	-	2,013,673	2,013,673
Subordinated loan to a subsidiary		-	-	1,100,000	1,100,000
		3,776,607	3,871,920	3,113,673	3,113,673
Total assets		4,031,892	4,123,455	3,171,737	3,172,410
LIABILITIES					
Current liabilities					
Trade and other payables		55,368	56,395	247	226
Deferred revenue		26,473	21,405	-	-
Loans	12	155,797	509,120	-	-
Lease liabilities		2,239	2,279	-	-
Current tax liabilities		37,287	23,285	2	9
		277,164	612,484	249	235
Non-current liabilities					
Other payables		1,313	2,292	-	-
Deferred revenue		8,232	6,301	-	-
Loans	12	507,890	155,587	-	-
Lease liabilities		36,209	36,548	-	-
Deferred tax liabilities		484,638	506,540	-	-
		1,038,282	707,268	-	-
Total liabilities		1,315,446	1,319,752	249	235
Net Assets		2,716,446	2,803,703	3,171,488	3,172,175
UNITHOLDERS' FUNDS					
Units in issue	13	3,117,178	3,117,178	3,117,178	3,117,178
(Accumulated deficits)/Retained earnings		(421,348)	(313,475)	54,310	54,997
Hedging reserves		20,616	-	-	-
Total Unitholders' funds		2,716,446	2,803,703	3,171,488	3,172,175

**NETLINK NBN TRUST AND ITS SUBSIDIARIES
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2022**

INTERIM STATEMENTS OF CHANGES IN UNITHOLDERS' FUNDS (GROUP)

	Group			
	H2 FY22 \$'000 (Unaudited)	H2 FY21 \$'000 (Unaudited)	FY22 \$'000 (Audited)	FY21 \$'000 (Audited)
Units in issue at the beginning and end of the period/ year	3,117,178	3,117,178	3,117,178	3,117,178
Accumulated deficits at the beginning of period/ year	(372,766)	(264,901)	(313,475)	(211,101)
Profit for the period/ year	51,180	50,019	91,262	94,812
Distribution paid	(99,762)	(98,593)	(199,135)	(197,186)
Accumulated deficits at the end of period/ year	<u>(421,348)</u>	<u>(313,475)</u>	<u>(421,348)</u>	<u>(313,475)</u>
Hedging reserves at the beginning of period/ year	3,548	3,277	-	861
Other comprehensive income/ (loss) for the period/ year	17,068	(3,277)	20,616	(861)
Hedging reserves at the end of period/ year	<u>20,616</u>	<u>-</u>	<u>20,616</u>	<u>-</u>
Total	<u>2,716,446</u>	<u>2,803,703</u>	<u>2,716,446</u>	<u>2,803,703</u>

INTERIM STATEMENTS OF CHANGES IN UNITHOLDERS' FUNDS (TRUST)

	Trust			
	H2 FY22 \$'000 (Unaudited)	H2 FY21 \$'000 (Unaudited)	FY22 \$'000 (Audited)	FY21 \$'000 (Audited)
Units in issue at the beginning and end of the period/ year	3,117,178	3,117,178	3,117,178	3,117,178
Retained earnings at the beginning of period/ year	54,173	56,276	54,997	54,868
Profit for the period/ year	99,899	97,314	198,448	197,315
Distribution paid	(99,762)	(98,593)	(199,135)	(197,186)
Retained earnings at the end of period/ year	<u>54,310</u>	<u>54,997</u>	<u>54,310</u>	<u>54,997</u>
Total	<u>3,171,488</u>	<u>3,172,175</u>	<u>3,171,488</u>	<u>3,172,175</u>

**NETLINK NBN TRUST AND ITS SUBSIDIARIES
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2022**

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

Group	H2 FY22 \$'000 (Unaudited)	H2 FY21 \$'000 (Unaudited)	FY22 \$'000 (Audited)	FY21 \$'000 (Audited)
Operating activities				
Profit before income tax	50,406	44,712	87,078	91,642
Adjustments for:				
- Depreciation and amortisation	84,955	84,332	169,723	167,792
- Amortisation of transaction fees	359	412	1,530	819
- (Write-back of)/ provision for loss allowance for trade receivables	(186)	80	(78)	(154)
- Provision/(write-back of provision) for stock obsolescence	35	30	(3)	70
- Interest expense	4,801	1,222	8,949	10,462
- Interest income	(171)	(175)	(339)	(478)
- Gain on disposal of property, plant and equipment	(14)	-	(14)	-
- Property, plant and equipment written off	636	8,699	1,221	9,294
- Remeasurement (gain)/loss from finance lease receivables	(46)	-	12,383	-
- Share-based payment expenses	592	572	592	572
Operating cash flows before working capital changes	141,367	139,884	281,042	280,019
Changes in working capital:				
- Trade and other receivables	(12,697)	2,917	(21,322)	9,618
- Contract assets	(4,152)	350	(3,756)	1,488
- Trade and other payables	9,791	(6,944)	12,881	(2,163)
- Inventories	351	(792)	1,064	(929)
Cash generated from operations	134,660	135,415	269,909	288,033
Interest received	169	166	338	469
Interest paid	(4,122)	(8,038)	(7,587)	(16,905)
Income tax paid	(10,358)	(3,921)	(3,929)	(7,085)
Net cash generated from operating activities	120,349	123,622	258,731	264,512
Investing activities				
Purchase of property, plant and equipment (Note A)	(41,087)	(32,937)	(73,879)	(60,246)
Proceeds from sale of property, plant and equipment	14	-	14	-
Net cash used in investing activities	(41,073)	(32,937)	(73,865)	(60,246)
Financing activities				
Payment of loan arrangement fee	(22)	(20)	(2,592)	(920)
Repayment of lease liabilities	(1,865)	(2,927)	(3,857)	(4,248)
Distribution paid	(99,762)	(98,593)	(199,135)	(197,186)
Net cash used in financing activities	(101,649)	(101,540)	(205,584)	(202,354)
Net (decrease)/ increase in cash and cash equivalents	(22,373)	(10,855)	(20,718)	1,912
Cash and cash equivalents at beginning of financial period/ year	172,191	181,391	170,536	168,624
Cash and cash equivalents at end of financial period/ year	149,818	170,536	149,818	170,536
Cash and cash equivalents consist of:				
Cash and bank balances	149,818	170,536	149,818	170,536
Capital expenditure reserve fund ^(a)	-	-	-	-
Cash and cash equivalents at end of financial period/ year	149,818	170,536	149,818	170,536

(a) Capex Reserve comprises monies set aside each year for at least 20% of capital expenditure reserve fund, which cumulates to \$40.0 million over the five-year period from 1 Jan 2018 to 31 Dec 2022, to meet regulatory requirements from Infocomm Media Development Authority ("IMDA") for any new network infrastructure projects that improve the capacity, technology, capability or resilience of NetLink Group's network infrastructure. As at 31 Mar 2022, NLT had already incurred \$35.3 million of the Capex Reserve to improve network resiliency and expand capacity, which is \$1.3 million more than the prevailing Capex Reserve required of \$34.0 million. Hence, no further fund is set aside as at 31 Mar 2022.

**NETLINK NBN TRUST AND ITS SUBSIDIARIES
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2022**

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

Group	H2 FY22 \$'000 (Unaudited)	H2 FY21 \$'000 (Unaudited)	FY22 \$'000 (Audited)	FY21 \$'000 (Audited)
NOTE A				
Purchase of property, plant and equipment	34,861	39,548	65,286	63,807
Less: Accruals for property, plant and equipment at end of financial period/ year	(15,142)	(23,735)	(15,142)	(23,735)
Add: Payment of accruals for property, plant and equipment at beginning of financial period/ year	21,368	17,124	23,735	20,174
	<u>41,087</u>	<u>32,937</u>	<u>73,879</u>	<u>60,246</u>

NETLINK NBN TRUST AND ITS SUBSIDIARIES FOR THE FINANCIAL YEAR ENDED 31 MARCH 2022

SELECTED NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

NetLink NBN Trust (the “Trust”) was constituted by a trust deed dated 19 Jun 2017 (as amended and restated by the First Amending and Restating Deed dated 25 Jul 2018, the Second Amending and Restating Deed dated 28 Sep 2020 and the Third Amending and Restating Deed dated 19 Jul 2021) (collectively, the “Trust Deed”). It was registered as a business trust with the Monetary Authority of Singapore on 29 Jun 2017. The Trust is regulated by the Business Trusts Act 2004 and is domiciled in Singapore. The Trust was listed on the Main Board of the Singapore Exchange Securities Trading Limited on 19 Jul 2017.

Under the Trust Deed, NetLink NBN Management Pte. Ltd. (the “Trustee-Manager”) has declared that it shall hold the authorised business on trust for the Unitholders as the Trustee-Manager of the Trust. The registered address of the Trustee-Manager is at 750E Chai Chee Road, #07-03, ESR BizPark @ Chai Chee, Singapore 469005.

The principal activities of the Trust are that of investment holding.

2. BASIS OF PREPARATION

The interim financial statements for the six months ended 31 Mar 2022 have been prepared in accordance with Singapore Financial Reporting Standard (International) (“SFRS(I)”) *1-34 Interim Financial Reporting* issued by the Accounting Standards Council Singapore. The interim financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance of the Group since the last annual financial statements for the year ended 31 Mar 2021.

The accounting policies adopted are consistent with those of the previous financial year which were prepared in accordance with SFRS(I)s, except for the adoption of new and amended standards as set out in Note 2.1. For the remeasurement of finance lease receivables to reflect the change in future lease payments, the Group as the lessor has decided to use the initial discount rate adopted at the inception of the lease agreements.

The consolidated financial statements are presented in Singapore dollar which is the Group’s functional currency. All financial information presented in Singapore dollar have been rounded to the nearest thousand, unless otherwise stated.

2.1. NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP

A number of amendments to Standards have become applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting those standards.

NETLINK NBN TRUST AND ITS SUBSIDIARIES FOR THE FINANCIAL YEAR ENDED 31 MARCH 2022

2. BASIS OF PREPARATION (CONT'D)

2.2. USE OF JUDGEMENTS AND ESTIMATES

In preparing the consolidated interim financial statements, the Trustee-Manager has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by the Trustee-Manager in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 Mar 2021.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements and key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next interim period are:

(a) Impairment reviews on goodwill and investment in subsidiaries

During an impairment review, the Group assesses whether the carrying amount of an asset or cash-generating unit exceeds its recoverable amount. Recoverable amount is defined as the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use. In making this judgement, the Group evaluates the value in use which is supported by the net present value of future cash flows derived from such assets or cash-generating units using cash flow projections which have been discounted at an appropriate rate. Forecasts of future cash flows are based on the Group's estimates using historical, sector and industry trends, general market and economic conditions, changes in technology and other available information.

(b) Estimated useful life of property, plant and equipment

The Group reviews annually the estimated useful life of property, plant and equipment based on factors such as business plans and strategies, expected level of usage and future technological developments. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned above. A reduction in the estimated useful life of property, plant and equipment would decrease the net profit and decrease the carrying value of property, plant and equipment.

3. SEASONAL OPERATIONS

The Group's businesses are not affected significantly by seasonal or cyclical factors during the financial period.

NETLINK NBN TRUST AND ITS SUBSIDIARIES FOR THE FINANCIAL YEAR ENDED 31 MARCH 2022

4. 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 ducts 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.

Breakdown of Revenue & Operating Profit for the first and second half periods were as follows:

	Financial Year		Variance
	FY22	FY21	
	\$'000	\$'000	%
	(Unaudited)	(Unaudited)	
(a) Revenue reported for first half year	<u>187,930</u>	<u>181,465</u>	3.6
(b) Operating profit after tax reported for first half year	<u>40,082</u>	<u>44,793</u>	(10.5)
(c) Revenue reported for second half year	<u>189,681</u>	<u>187,001</u>	1.4
(d) Operating profit after tax reported for second half year	<u>51,180</u>	<u>50,019</u>	2.3

5. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Set out below is an overview of the financial assets and financial liabilities of the Group as at 31 Mar 2022 and 31 Mar 2021.

	Group		Trust	
	As at 31 Mar 2022	As at 31 Mar 2021	As at 31 Mar 2022	As at 31 Mar 2021
	\$'000	\$'000	\$'000	\$'000
	(Audited)	(Audited)	(Audited)	(Audited)
Financial Assets				
Financial assets at amortised cost	312,736	322,080	1,157,891	1,158,527
Derivative instruments:				
Designated in hedge accounting relationships	20,616	-	-	-
	<u>333,352</u>	<u>322,080</u>	<u>1,157,891</u>	<u>1,158,527</u>
Financial Liabilities				
Financial liabilities at amortised cost	720,368	723,394	247	226
Lease liabilities	38,448	38,827	-	-
	<u>758,816</u>	<u>762,221</u>	<u>247</u>	<u>226</u>

**NETLINK NBN TRUST AND ITS SUBSIDIARIES
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2022**

6. PROFIT BEFORE TAXATION

6.1. OTHER INCOME

	H2 FY22	H2 FY21	FY22	FY21
	\$'000	\$'000	\$'000	\$'000
Group	(Unaudited)	(Unaudited)	(Audited)	(Audited)
Net gain on disposal of property, plant and equipment	14	-	14	-
Interest income	171	175	339	478
Government grants ⁽¹⁾	291	748	744	3,651
Property tax rebates ⁽²⁾	-	1,311	-	3,798
Manhole cover replacement grants ⁽³⁾	160	-	160	-
Third party compensation ⁽⁴⁾	155	397	243	592
Others ⁽⁵⁾	1,129	1,162	1,695	1,449
	<u>1,920</u>	<u>3,793</u>	<u>3,195</u>	<u>9,968</u>

(1) Government grants consists mainly Jobs Support Scheme and Wage Credit Scheme.

(2) Property tax rebates granted by Singapore government in response to the COVID-19 pandemic. A portion of the tax rebates granted were passed on to the tenants and recognised as grant expenses (see Note 6.4).

(3) Grant income recoverable from IMDA for a manhole cover replacement project.

(4) Third party compensation consists mainly of compensation received from third parties for cable cuts and for construction works performed on behalf of Land Transport Authority ("LTA").

(5) Others consists mainly of income from Fibre Readiness Certification, Notice for Commencement of Earthworks and Plant Route Plans.

6.2. TOTAL DEPRECIATION AND AMORTISATION

	H2 FY22	H2 FY21	FY22	FY21
	\$'000	\$'000	\$'000	\$'000
Group	(Unaudited)	(Unaudited)	(Audited)	(Audited)
Depreciation of property, plant and equipment	81,152	80,570	162,057	160,420
Depreciation of right-of-use assets	1,684	1,643	3,428	3,134
Amortisation of licence	2,119	2,119	4,238	4,238
	<u>84,955</u>	<u>84,332</u>	<u>169,723</u>	<u>167,792</u>

**NETLINK NBN TRUST AND ITS SUBSIDIARIES
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2022**

6. PROFIT BEFORE TAXATION (CONT'D)

6.3. FINANCE COSTS

	H2 FY22	H2 FY21	FY22	FY21
	\$'000	\$'000	\$'000	\$'000
Group	(Unaudited)	(Unaudited)	(Audited)	(Audited)
Interest expense on:				
- Bank loans	3,229	3,890	6,565	8,722
- Lease liabilities	609	624	1,242	1,255
- Others	60	63	119	126
Financing related costs	427	669	1,713	1,339
Gain arising from maturity of cash flow hedge	-	(7,493)	-	(7,806)
Realised loss on interest rate swaps	835	3,881	840	7,645
	<u>5,160</u>	<u>1,634</u>	<u>10,479</u>	<u>11,281</u>

For cash flow purposes, finance costs do not include amortisation of transaction fees. Reconciliation to cash flow statement is as below:

Finance costs	5,160	1,634	10,479	11,281
Amortisation of transaction fees	(359)	(412)	(1,530)	(819)
Interest expense	<u>4,801</u>	<u>1,222</u>	<u>8,949</u>	<u>10,462</u>

NETLINK NBN TRUST AND ITS SUBSIDIARIES FOR THE FINANCIAL YEAR ENDED 31 MARCH 2022

7. INCOME TAX CREDIT

The Group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the interim consolidated statement of profit or loss are:

	H2 FY22	H2 FY21	FY22	FY21
	\$'000	\$'000	\$'000	\$'000
Group	(Unaudited)	(Unaudited)	(Audited)	(Audited)
<u>Income tax is made up of:</u>				
- Current income tax expense	(5,646)	(2,544)	(16,348)	(13,200)
- (Under)/over provision of current income tax in prior year	(1,634)	1,734	(1,370)	(1,953)
	(7,280)	(810)	(17,718)	(15,153)
- Deferred income tax due to origination and reversal of temporary differences	6,457	6,117	20,250	18,341
- Over/(under) provision of deferred income tax in prior year	1,597	-	1,652	(18)
Income tax credit recognised in profit or loss	774	5,307	4,184	3,170

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:

	H2 FY22	H2 FY21	FY22	FY21
	\$'000	\$'000	\$'000	\$'000
Group	(Unaudited)	(Unaudited)	(Audited)	(Audited)
Profit before income tax	50,406	44,712	87,078	91,642
Income tax expense calculated at a tax rate of 17%	(8,569)	(7,601)	(14,803)	(15,579)
Effect of:				
- Income not subject to taxation	-	1,801	62	1,801
- Expenses not deductible for tax purposes	(519)	(487)	(1,040)	(726)
- Tax relief and tax rebate	-	4	37	30
- Tax benefit on the tax exempted interest income derived from qualifying project debt securities [^]	9,791	9,791	19,635	19,635
- (Under)/ over provision in prior year	(37)	1,734	282	(1,971)
- Others	108	65	11	(20)
Tax credit attributable to current period's profit	774	5,307	4,184	3,170

[^] – Relates to the tax benefit on the tax exempted interest income on the \$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").

NETLINK NBN TRUST AND ITS SUBSIDIARIES FOR THE FINANCIAL YEAR ENDED 31 MARCH 2022

8. FINANCE LEASE RECEIVABLES

The Group's finance lease arrangements do not include variable payments.

The finance lease receivables relate to the lease agreements on the land and building between a subsidiary and the substantial Unitholder in relation to the space occupied by the substantial Unitholder in the Central Office buildings owned by the subsidiary.

There is a remeasurement loss of \$12.4 million relating to finance lease receivables arising from the reduction in rental rates upon the renewal of the Central Office lease agreements with the lessee from Sep 2021.

The reduction in rental rates did not have a material cashflow impact for FY22 nor is it expected to have a material cashflow impact for each of the subsequent years. The accounting standards require the reduction in rental rate for FY22 and subsequent years (i.e. remaining lease term of the leasehold ranging from 47 to 67 years) to be recognised upfront as the remeasurement loss described above.

During the financial year ended 31 Mar 2022, the substantial Unitholder has surrendered a portion of space in the Central Office buildings which this resulted in an amount of \$1.2 million (FY21: \$6.7 million) being reclassified from finance lease receivables to leasehold land and buildings under property, plant and equipment.

The interest rate inherent in the leases is fixed at the contract date for the duration of the lease terms. The average effective interest rate contracted is approximately 6.2% (31 Mar 2021: 6.2%) per annum.

9. PROPERTY, PLANT AND EQUIPMENT

During the financial year ended 31 Mar 2022, the Group acquired assets amounting to \$65.3 million (FY21: \$63.8 million) and disposed of assets amounting to \$3.8 million (FY21: \$11.2 million).

NETLINK NBN TRUST AND ITS SUBSIDIARIES FOR THE FINANCIAL YEAR ENDED 31 MARCH 2022

10. 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:

Group				
31 Mar 2022	Level 1	Level 2	Level 3	Total
(Audited)	\$'000	\$'000	\$'000	\$'000

Financial assets

Derivative financial instruments	-	20,616	-	20,616
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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 \$666.0 million (31 Mar 2021: \$666.0 million) bank loan outstanding and has entered into a series of SORA-based interest rate swaps to convert the variable interest rates on its bank loan into fixed interest rates during financial year ended 31 Mar 2022, for a total notional principal amount of \$510.0 million (31 Mar 2021: Nil). Accordingly, 76.6% (31 Mar 2021: Nil) of the interest in respect of the outstanding amounts under the Group's existing bank loans has been hedged.

NETLINK NBN TRUST AND ITS SUBSIDIARIES FOR THE FINANCIAL YEAR ENDED 31 MARCH 2022

11. GOODWILL

Goodwill arose in the acquisition of NLT because the consideration paid effectively included amounts in relation to the benefits of expected revenue growth which do not meet the recognition criteria for separate intangible assets.

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. There is only one cash-generating unit and management considers that the Group operates in one single business unit.

The recoverable amount of the cash-generating unit is determined from value in use calculations. The key assumptions for the value in use calculations are the discount rate and the expected cash flows. The long-term cash flow forecasts are based on revenue, operating and capital expenditure assumptions which are mainly driven by growth rates and operating margins.

The Group prepares cash flow forecasts which are derived from the most recent financial budget approved by the Board. The discount rates applied to the cash flow projections are based on Weighted Average Cost of Capital ("WACC") where the cost of a company's debt and equity capital are weighted to reflect its capital structure.

The WACC used to discount the cash flows is 5.30% (2021: 5.04%). The time period used of 12 years (2021: 13 years) is in line with the amortisation of the licence. The terminal growth rates used of 1.5% (2021: 1.5%) do not exceed the long-term average growth rates of the industry in which the Group operates.

As at 31 Mar 2022, any reasonably possible change to the key assumptions applied are not likely to cause the recoverable amounts to be below the carrying amounts of the cash-generating unit.

**NETLINK NBN TRUST AND ITS SUBSIDIARIES
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2022**

12. GROUP'S BORROWINGS AND DEBT SECURITY

		Group		
	Effective Average Interest rate ⁽¹⁾ (%)	As at 31 Mar 2022 \$'000 (Audited)	Effective Average Interest rate ⁽¹⁾ (%)	As at 31 Mar 2021 \$'000 (Audited)
Unsecured borrowings				
Repayable within one year				
- Bank loans (unsecured)	0.83	155,797	2.87	509,120
Repayable after one year				
- Bank loans (unsecured)	1.29	507,890	1.20	155,587
		663,687		664,707
Committed revolving credit facility ("RCF") and term loan				
Commencement Date	Terms	Utilised As at 31 Mar 2022 \$'000 (Audited)	Utilised As at 31 Mar 2021 \$'000 (Audited)	
- 24 Mar 2016 ⁽²⁾	\$510 million Five-Year Term Loan	-	510,000	
- 24 Mar 2016 ⁽²⁾	\$90 million Five-Year RCF	-	-	
- 19 Mar 2020	\$210 million Three-Year RCF	156,000	156,000	
- 21 May 2021 ⁽³⁾	\$510 million Five-Year Term Loan	510,000	-	
		666,000	666,000	
	Transaction costs	(2,313)	(1,293)	
		663,687	664,707	

(1) The interest expenses used in the computation of effective average interest rate per annum included the impact of net settlement of interest rate swaps.

(2) The \$510.0 million Five-Year Term Loan and \$90.0 million Five-Year RCF which commenced on 24 Mar 2016 were extended on 21 Jul 2020 to mature on 24 Mar 2022. As part of the refinancing, the Trustee-Manager cancelled both the \$90.0 million Five-Year RCF and the \$510.0 million Five-Year Term Loan on 19 May 2021 and 31 May 2021 respectively.

(3) The \$510.0 million Five-Year Term Loan which commenced on 21 May 2021 is a Singapore Overnight Rate Average ("SORA")-based Term Loan with maturity date on 21 May 2026. This facility was used to refinance the previous \$510.0 million Five-Year Term Loan.

**NETLINK NBN TRUST AND ITS SUBSIDIARIES
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2022**

13. UNITS IN ISSUE

	Number of units			
	As at H2 FY22	As at H2 FY21	As at 31 Mar 2022	As at 31 Mar 2021
Group and Trust	(Unaudited)	(Unaudited)	(Audited)	(Audited)
Balance as at beginning of year and at end of period/year	3,896,971,100	3,896,971,100	3,896,971,100	3,896,971,100

All issued units are fully paid and rank *pari passu* in all respects.

14. NET ASSET VALUE

	Group		Trust	
	As at 31 Mar 2022 Units (Audited)	As at 31 Mar 2021 Units (Audited)	As at 31 Mar 2022 Units (Audited)	As at 31 Mar 2021 Units (Audited)
NAV per unit based on issued units at the end of period (cents)	69.7	71.9	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

NETLINK NBN TRUST AND ITS SUBSIDIARIES FOR THE FINANCIAL YEAR ENDED 31 MARCH 2022

15. DISTRIBUTIONS

(a) Current Financial Period Reported on

Amount	:	\$100,152,157
Distribution Period	:	1 Oct 2021 to 31 Mar 2022
Distribution Rate	:	2.57 Singapore cents per unit
Tax Rate	:	Cash distributions to Unitholders are exempt from Singapore income tax.

(b) Date Payable : 10 Jun 2022

(c) Corresponding Period of the Immediately Preceding Financial Year

Amount	:	\$99,372,763
Distribution Period	:	1 Oct 2020 to 31 Mar 2021
Distribution Rate	:	2.55 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 27 May 2022 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., 1 Harbourfront Avenue, Keppel Bay Tower #14-07, Singapore 098632, up to 5.00 p.m. on 27 May 2022 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 27 May 2022 will be entitled to the distribution to be paid on 10 Jun 2022. \$99,762,460 or 2.56 Singapore cents per Unit was declared for the Trust's distribution period for the half year ended 30 Sep 2021, which was paid on 1 Dec 2021. The Distribution to Unitholders is exempted from Singapore income tax.

16. SUBSEQUENT EVENTS

Subsequent to the end of reporting year, the Trustee-Manager approved a distribution of \$100,152,157 or 2.57 Singapore cents per unit in respect of financial period from 1 Oct 2021 to 31 Mar 2022 and it has not been adjusted for the current financial year in accordance with SFRS(I) 1-10 *Events After the Reporting Period*.

NETLINK NBN TRUST AND ITS SUBSIDIARIES FOR THE FINANCIAL YEAR ENDED 31 MARCH 2022

17. COMMITMENTS

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

	Group		Trust	
	As at 31 Mar 2022	As at 31 Mar 2021	As at 31 Mar 2022	As at 31 Mar 2021
	\$'000	\$'000	\$'000	\$'000
	(Audited)	(Audited)	(Audited)	(Audited)
Property, plant and equipment	52,011	48,761	-	-

18. OTHER INFORMATION

The statements of financial position as at 31 Mar 2022 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 financial year ended 31 Mar 2022 presented in this announcement have been audited in accordance with the Singapore Standard on Auditing (see auditor's report on Page 31 to Page 35 of this announcement).

19. RECLASSIFICATION AND COMPARATIVE FIGURES

Certain reclassifications have been made to the prior year's financial statements announcement to enhance comparability with the current year's financial statements announcement. Diversion revenue, other ducts and manholes income within Co-location and Other revenue have been reclassified to Ancillary project revenue. Diversion costs and other ducts and manholes expenses within operations and maintenance costs have been reclassified to Ancillary project direct costs. The reclassification is to better reflect and to consolidate the revenue and expenses derived from ancillary project activities of the Trust.

As a result, below items have been amended in the statement of profit or loss and other comprehensive income. Comparative figures have been adjusted to conform to the current year's presentation.

The items were reclassified as follows:

	Previously reported H2 FY21	After reclassification H2 FY21	Previously reported FY21	After reclassification FY21
Diversion revenue	5,291	-	8,550	-
Ancillary project revenue	-	5,451	-	8,775
Co-location and Other revenue	9,698	9,538	19,249	19,024
Total	14,989	14,989	27,799	27,799

	Previously reported H2 FY21	After reclassification H2 FY21	Previously reported FY21	After reclassification FY21
Operation and maintenance costs	(8,614)	(8,499)	(16,699)	(16,542)
Diversion costs	(3,467)	-	(6,652)	-
Ancillary project direct costs	-	(3,582)	-	(6,809)
Total	(12,081)	(12,081)	(23,351)	(23,351)

NETLINK NBN TRUST AND ITS SUBSIDIARIES FOR THE FINANCIAL YEAR ENDED 31 MARCH 2022

20. REVIEW OF PERFORMANCE VARIANCE

	H2 FY22	H2 FY21	Variance	FY22	FY21	Variance
	\$'000	\$'000	(%)	\$'000	\$'000	(%)
	(Unaudited)	(Unaudited)		(Audited)	(Audited)	
Fibre business revenue:						
Residential connections	120,727	119,489	1.0	240,730	237,963	1.2
Non-residential connections	15,657	15,141	3.4	30,923	30,395	1.7
NBAP and Segment connections	7,024	4,924	42.6	12,994	8,876	46.4
Installation-related revenue	9,674	9,732	(0.6)	19,277	16,624	16.0
Ancillary project revenue	5,485	5,451	0.6	10,059	8,775	14.6
Co-location and Other revenue	9,815	9,538	2.9	19,376	19,024	1.9
Total Fibre Business Revenue	168,382	164,275	2.5	333,359	321,657	3.6
Ducts, manholes and Central Office revenue:						
Ducts and manholes service revenue	13,891	14,136	(1.7)	27,978	28,721	(2.6)
Central Office revenue	7,408	8,590	(13.8)	16,274	18,088	(10.0)
Total Ducts, Manholes and Central Office Revenue	21,299	22,726	(6.3)	44,252	46,809	(5.5)
Total Revenue	189,681	187,001	1.4	377,611	368,466	2.5

H2 FY22 vs H2 FY21

Revenue of \$189.7 million for H2 FY22 was 1.4% higher as compared to that of H2 FY21 mainly due to higher residential and non-residential, NBAP and segment connections revenue. This was partially offset by lower Central Office revenue. Residential connections revenue increased by \$1.2 million from higher number of connections. As at 31 Mar 2022, there were 1,464,217 connections as compared to 1,446,784 connections as at 31 Mar 2021. Non-residential connections revenue increased by \$0.5 million due to higher number of non-residential connections of 50,278 as at 31 Mar 2022 as compared to 48,108 as at 31 Mar 2021. NBAP and segment connections revenue increased by \$2.1 million from higher demand for point-to-point connections to support mobile network rollout and other projects requiring high resiliency. Central Office revenue decreased by \$1.2 million mainly due to spaces surrendered by the main lessee in NetLink's 7 Central Offices and reduction in rental rates effective from Sep 2021.

Other income was lower by \$1.9 million mainly due to the absence of government COVID-19 relief grants in H2 FY22.

Total expenses for H2 FY22 were \$4.9 million lower mainly due to lower other operating expenses and staff costs partially offset by higher finance costs and operations and maintenance costs. Other operating expenses in H2 FY22, in comparison to H2 FY21, was lower due to the one-time write-off in H2 FY21 of capitalised NGBOSS project costs of \$7.4 million in relation to the discontinuation of an IT contract, which had increased H2 FY21's other operating expenses. In addition, there were also \$0.8 million more abandoned ducts written off in H2 FY21 as compared to H2 FY22.

Staff costs for H2 FY22 were \$2.6 million lower, mainly due to the higher capitalisation of labour costs for IT and other capitalisable fibre projects, in comparison to the costs capitalised in H2 FY21. Finance cost was higher in H2 FY22 by \$3.5 million, in comparison to H2 FY21, due to net hedging gains which was realised upon the maturity of interest rate swaps in H2 FY21. However, the lower interest expense in H2 FY22 (average interest rate of 1.22% during the period) as compared to H2 FY21 (2.39%), offset the relative increase in finance costs between the two corresponding periods. Operation and maintenance costs were higher by \$1.7 million mainly due to rental charges incurred

NETLINK NBN TRUST AND ITS SUBSIDIARIES FOR THE FINANCIAL YEAR ENDED 31 MARCH 2022

for the use of an RL's lead-in ducts to provision NetLink's fibre for landed homes, higher security manning costs for Central Offices, and higher co-location costs due to increased rates for power charges.

The tax credit was lower by \$4.5 million in H2 FY22 as compared to H2 FY21 due to the reversal of \$3.7 million additional taxes previously provided in H1 FY21 for Year of Assessment ("YA") 2016 after it was assessed in H2 FY21 that these additional taxes paid were recoverable from the Substantial Unitholder under the group tax relief transfer agreement. In addition, in line with higher profit before tax of \$5.7 million for H2 FY22 as compared to H2 FY21, the tax credit was lower by \$0.8 million.

The Group achieved profit after tax of \$51.2 million for H2 FY22 and \$50.0 million for H2 FY21.

FY22 vs FY21

Revenue of \$377.6 million for FY22 was 2.5% higher as compared to that of FY21 mainly due to higher residential, NBAP & segment connections revenue, installation-related revenue and ancillary project revenue. This was partially offset by lower Central Office revenue. Residential connections revenue increased by \$2.8 million from higher number of connections. As at 31 Mar 2022, there were 1,464,217 connections as compared to 1,446,784 connections as at 31 Mar 2021. NBAP and segment connections revenue increased by \$4.1 million because of higher demand for point-to-point connections and Central Office-diversity connections to support mobile network rollout and other projects requiring high resiliency. Higher installation-related revenue of \$2.7 million was mainly due to higher residential service activations and non-residential termination point installation orders. Higher ancillary project revenue of \$1.3 million was due to more projects being completed in FY22 as compared to FY21 which was affected by stoppages in construction work nationwide. Central Office revenue decreased by \$1.8 million mainly due to spaces surrendered by the main lessee in NetLink's 7 Central Offices and reduction in rental rates effective from Sep 2021.

Other income was lower by \$6.8 million in FY22 when compared to FY21 as NetLink has received lower government COVID-19 relief grants and property tax rebates in FY22.

Total expenses for FY22 were \$6.9 million higher mainly due to higher operations and maintenance costs and other operating expenses. Operation and maintenance costs were higher by \$2.4 million mainly due to rental charges incurred for the use of an RL's lead-in ducts to provision NetLink's fibre for landed homes, higher security manning costs and repair works in the Central Offices, and higher co-location costs due to increased rates for power charges.

Other operating expenses were \$5.5 million higher mainly due to a remeasurement loss of \$12.4 million relating to finance lease receivables arising from the reduction in rental rates upon the renewal of the Central Office lease agreements with the lessee from Sep 2021. The increase was partially offset by a one-off write-off of capitalised project costs of \$7.4 million in FY21 in relation to the discontinuation of an IT contract.

The reduction in rental rates did not have a material cashflow impact for FY22 nor is it expected to have a material cashflow impact for each of the subsequent years. The accounting standards require the reduction in rental rate for FY22 and subsequent years (i.e. remaining lease term of the leasehold ranging from 47 to 67 years) to be recognised upfront as the remeasurement loss described above.

NETLINK NBN TRUST AND ITS SUBSIDIARIES FOR THE FINANCIAL YEAR ENDED 31 MARCH 2022

Higher tax credit of \$1.0 million in FY22 in line with lower profit before tax of \$4.6 million for FY22 as compared to FY21.

The Group achieved profit after tax of \$91.3 million for FY22 as compared to \$94.8 million for FY21.

REVIEW OF PERFORMANCE – INTERIM STATEMENTS OF CASH FLOWS

The Group's net cash from operating activities of \$120.3 million in H2 FY22 was \$3.3 million lower than H2 FY21. The decrease was contributed mainly by the increase in trade and other receivables from higher billings in ancillary projects, payment of prior years' income tax during H2 FY22 and higher contract assets, partially offset by lower interest paid between the two corresponding periods. The Group's net cash from operating activities of \$258.7 million in FY22 was \$5.8 million lower than FY21. The decrease was contributed mainly by the increase in trade and other receivables from higher billings in ancillary projects and contract assets, partially offset by lower interest and tax paid between the two corresponding periods.

Net cash used in investing activities of \$41.1 million in H2 FY22 was \$8.1 million higher than H2 FY21 due to higher capital expenditures incurred for property, plant and equipment. Net cash used in investing activities of \$73.9 million in FY22 was \$13.6 million higher than FY21 as there were stoppages of construction work amid safety measures to contain COVID-19 transmission which led to lower capital expenditures incurred for property, plant and equipment in FY21.

Net cash used in financing activities of \$101.7 million in H2 FY22 and \$205.6 million in FY22 were \$0.1 million and \$3.2 million higher than H2 FY21 and FY21 respectively. Net cash used in financing activities in FY22 was higher than FY21 mainly due to higher distribution paid in FY22 (Distribution Per Unit of 2.55 cents in Jun 2021 and 2.56 in Dec 2021 vs 2.53 cents in Jun 2020 and Dec 2020) and payment of loan arrangement fee for new Term Loan Facility drawn down in May 2021.

The resultant cash and cash equivalents balance for the Group as at 31 Mar 2022 was \$149.8 million.

NETLINK NBN TRUST AND ITS SUBSIDIARIES FOR THE FINANCIAL YEAR ENDED 31 MARCH 2022

REVIEW OF PERFORMANCE – INTERIM STATEMENTS OF FINANCIAL POSITION

The Group reported total assets as at 31 Mar 2022 of \$4,031.9 million, \$91.6 million lower than total assets of \$4,123.5 million as at 31 Mar 2021. This was mainly due to lower property, plant and equipment, cash and bank deposits and finance lease receivables, partially offset by higher trade and other receivables and higher derivative financial instruments. Property, Plant and Equipment (“PPE”) decreased \$96.8 million mainly due to depreciation, partially offset by additions to PPE. Cash and bank deposits decreased \$20.7 million due to cash distribution paid, purchase of PPE, offset by cash flows generated from operations. Finance lease receivables were lower by \$13.8 million due to the remeasurement loss from Finance Lease Receivables, and the reclassification from Finance Lease Receivables to Leasehold Land and Buildings asset category as the main lessee has surrendered spaces in our Central Offices. Trade and other receivables increased by \$21.5 million mainly due to the increase in ancillary project work-in-progress costs incurred and higher project billings. The derivative financial instruments balance of \$20.6 million as at 31 Mar 2022 is due to marked-to-market gains from \$510.0 million fixed interest rate swap entered in FY22.

The Group reported total liabilities as at 31 Mar 2022 of \$1,315.4 million, \$4.3 million lower than 31 Mar 2021, mainly from lower deferred tax liabilities, partially offset by higher current tax liabilities and deferred revenue. Deferred tax liabilities were lower due to the reduction of temporary timing differences from property, plant and equipment and reversal of deferred tax liabilities due to the remeasurement loss on finance lease receivables. Current tax liabilities were higher mainly due to current income tax provision for FY22. Deferred revenue was higher mainly due to increase in billings for ancillary projects and service activation charges.

Total Unitholders' funds stood at \$2,716.4 million as at 31 Mar 2022, lower than \$2,803.7 million as at 31 Mar 2021 mainly due to the distribution paid, partially offset by profit generated from financial year ended 31 Mar 2022.

NETLINK NBN TRUST AND ITS SUBSIDIARIES FOR THE FINANCIAL YEAR ENDED 31 MARCH 2022

21. OUTLOOK AND PROSPECT

Singapore is progressing towards being a COVID-19 resilient nation and the lifting of restrictions is expected to open up the economy faster. However, the global environment is uncertain due to, among others, geopolitical issues, inflationary pressures, forecasted increases in interest rates and global supply chain constraints. NetLink will remain vigilant and monitor the developing macro environment, and respond appropriately should there be any adverse developments.

NetLink Group's business model is resilient and is well-supported by predictable revenue streams. The Group's balance sheet and liquidity remains strong, underpinned by stable cashflows and access to financial resources to support future capital expenditure. The Group expects to maintain its distributions to Unitholders.

NetLink Group is continuing to expand its network to reach new residential dwellings and commercial buildings. In support of Singapore's digital inclusion effort, NetLink plans to collaborate with the RLs and Retail Service Providers to increase subscriptions of fibre broadband plans from first-time users. In addition, NetLink will continue connecting the low-income households to the Nationwide Broadband Network via initiatives such as the Home Access Programme. The Group will also continue partnerships with the RLs and Retail Service Providers to support their efforts to acquire new businesses. In this regard, NetLink will (a) extend customised pricings to support RLs participating in projects involving multi-site and/or nation-wide connectivity; and (b) make available offerings to facilitate digital transformations of SMEs. NetLink will continue enhancing its network capability to provide point-to-point connectivity, which allows NetLink to better support network roll-outs by mobile operators. In addition, NetLink will continue improving its presence at data centres and will invest in a new Central Office in Singapore. NetLink will also be exploring opportunities to invest in telecommunication infrastructure businesses overseas.

NetLink has been investing in its network assets to cater to the growing end-user demand across residential, non-residential, NBAP and segment connections. These investments in turn increase its Regulatory Asset Base. NetLink is poised to leverage on the growth opportunities arising from the digital economy, 5G rollout and Singapore's commitment to implementing its Smart Nation initiatives and ecosystem.

NetLink is currently undergoing the review of NetLink Trust's services (including prices) offered under its Interconnection Offer with the IMDA. The regulatory review is expected to be completed by early 2023.

**NETLINK NBN TRUST AND ITS SUBSIDIARIES
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2022**

22. 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	Nature of Relationship	Aggregate value of all IPTs during the financial period under review (excluding transactions of less than \$100,000)		Aggregate value of all IPTs conducted under shareholders’ mandate pursuant to Rule 920 (excluding transactions of less than \$100,000)	
		H2 FY22 \$’000 (Unaudited)	FY22 \$’000 (Audited)	H2 FY22 \$’000 (Unaudited)	FY22 \$’000 (Audited)
NetLink NBN Management Pte. Ltd.	Trustee-Manager of NetLink NBN Trust				
- Management fees ⁽¹⁾		450	900	-	-
- Reimbursement of expenses		68	116	-	-

Note 1: Management fees paid is to Trustee-Management of NetLink NBN Trust mainly pertains to Directors’ fees.

23. 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.

24. REPORT OF PERSONS OCCUPYING MANAGERIAL POSITIONS WHO ARE RELATED TO A DIRECTOR, CEO OR SUBSTANTIAL UNITHOLDER

Pursuant to Rule 704(13) of the Listing Manual of the Singapore Exchange Securities Trading Limited, we confirm that none of the persons occupying managerial positions in the Trust or any of its subsidiaries is a relative of a director or chief executive officer or substantial unitholder of the Trust.

NETLINK NBN TRUST AND ITS SUBSIDIARIES FOR THE FINANCIAL YEAR ENDED 31 MARCH 2022

The auditor's report on the full financial statements of NetLink NBN Trust for the financial year ended 31 March 2022 is as follows: -

“INDEPENDENT AUDITOR’S REPORT TO THE UNITHOLDERS OF NETLINK NBN TRUST

For the financial year ended 31 March 2022

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of NetLink NBN Trust (the “Trust”) and its subsidiaries (the “NetLink Group”) which comprises the consolidated statement of financial position of the NetLink Group and the statement of financial position of the Trust as at 31 March 2022 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 NetLink Group and the statement of changes in Unitholders’ funds of the Trust for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the NetLink Group and the statement of financial position and statement of changes in Unitholders’ funds of the Trust are properly drawn up in accordance with the provisions of the Business Trusts Act 2004 (the “Act”) and Singapore Financial Reporting Standards (International) (“SFRS(I)s”) so as to give a true and fair view of the consolidated financial position of the NetLink Group and the financial position of the Trust as at 31 March 2022, and of the consolidated financial performance, consolidated changes in Unitholders’ funds and consolidated cash flows of the NetLink Group and changes in Unitholders’ funds of the Trust for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing (“SSAs”). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (“ACRA Code”) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion of these matters.

Key Audit Matters

Our audit performed and responses thereon

Goodwill Impairment Review

Under SFRS(I) 1-36 *Impairment of Assets*, the Group is required to test goodwill for impairment at least annually or earlier when there is indication of impairment. This assessment requires the exercise of significant judgement about future market conditions, including discount and long-term growth rates.

As at 31 March 2022, goodwill recorded on acquisition of NetLink Trust amounted to \$746.9 million, constituting approximately 18.5% of the Group's total assets.

The key assumptions to the impairment test and the sensitivity of changes in these assumptions to the risk of impairment are disclosed in Note 21 to the financial statements.

We involved our valuation specialists to develop an independent view of the key assumptions driving the value in use calculation, in particular the discount and long-term growth rates, and compare the independent expectations to those used by management.

We challenged the cash flow forecasts used by management, with comparison to recent performance and trend analysis.

We also assessed and validated the adequacy and appropriateness of the disclosures made in the financial statements.

Based on our procedures, we noted management's key assumptions to be within a reasonable range of our expectations, and the disclosures made in the financial statements are adequate and appropriate.

NETLINK NBN TRUST AND ITS SUBSIDIARIES FOR THE FINANCIAL YEAR ENDED 31 MARCH 2022

Information other than the financial statements and auditor's report thereon

The Trustee-Manager is responsible for the other information. The other information comprises all the information included in the Annual Report, excluding the financial statements and our auditor's report thereon. The other information is expected to be made available after the date of our auditor's report on the financial statements.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. When we read the other information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate action in accordance with SSAs.

Responsibilities of the Trustee-Manager and Directors of the Trustee-Manager for the Financial Statements

The Trustee-Manager is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, the Trustee-Manager is responsible for assessing the NetLink Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the NetLink Group or to cease operations, or has no realistic alternative but to do so.

The directors of the Trustee-Manager's responsibilities include overseeing the NetLink Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

NETLINK NBN TRUST AND ITS SUBSIDIARIES FOR THE FINANCIAL YEAR ENDED 31 MARCH 2022

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the NetLink Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of Trustee-Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the NetLink Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the NetLink Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the NetLink Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors of the Trustee-Manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors of the Trustee-Manager with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors of the Trustee-Manager, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**NETLINK NBN TRUST AND ITS SUBSIDIARIES
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2022**

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Trustee-Manager of the Trust have been properly kept in accordance with provisions of the Act.

The engagement partner on the audit resulting in this Independent Auditor's Report is Mr Yang Chi Chih.

Deloitte & Touche LLP
Public Accountants and
Chartered Accountants
Singapore

Date: 17 May 2022"