



Australia's  
broadband  
network

# Half-Year Report

For the six months  
ended 31 December 2016



Australia's  
broadband  
network  
bring it on

Visit [nbn.com.au](http://nbn.com.au) for rollout information

MUSTA-1  
VICTORIA



#### Artwork Story

This bespoke artwork design was created for **nbn** to symbolise the connection of community, where Aboriginal and Torres Strait Islander peoples share equal access in the benefits of the **nbn**<sup>TM</sup> network which in turn increases opportunities for Aboriginal and Torres Strait Islander peoples in areas of education, business and the enhancement of lifestyles. The opalescent circular forms visually represent the 'lights turning on' within communities. The blue colourway represents **nbn**'s commitment to building an inclusive and diverse workplace that is reflective of the wider communities and the yellow and ochre hues represent optimism for the future. This original artwork design was created by Marcus Lee, a proud Aboriginal descendant of the Karajarri people.

# Contents

## Overview

Provides an overview of **nbn**'s corporate information, purpose and goal.

## Strategy and Operations

Provides comprehensive information on **nbn**'s strategic imperatives, operating model, performance and risk management.

## Half-Year Financial Report

The **nbn** Group's Half-Year Financial Report for the six months ended 31 December 2016.

The Half-Year Financial Report was authorised for issue by the Directors on 7 February 2017. The Directors have the power to amend and reissue the Half-Year Financial Report.

### Legal Notice

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|  |    |
|--|----|
| <b>About nbn</b>   | 3  |
| <b>nbn's purpose and goal</b>                              | 4  |
| <b>Directors' report</b>                                   | 7  |
| <b>Operating and financial review</b>                      | 11 |
| Our operating model  | 11 |
| Our strategic imperatives                                  | 12 |
| Our performance  | 13 |
| Review of financial performance and position               | 18 |
| Risk management  | 25 |
| <b>Board of Directors</b>                                  | 30 |
| <b>Other information</b>                                   | 35 |
| <b>Auditor's independence declaration</b>                  | 36 |
| <b>Half-Year Financial Report</b>                          | 37 |
| Statement of profit or loss and other comprehensive income | 38 |
| Statement of financial position                            | 39 |
| Statement of changes in equity                             | 40 |
| Statement of cash flows                                    | 41 |
| Notes to the financial statements                          | 42 |
| <b>Directors' declaration</b>                              | 55 |
| <b>Independent auditor's review report</b>                 | 56 |

Any request or inquiry to so use the Half-Year Report should be addressed to:

The Chief Financial Officer  
nbn co limited  
Level 11, 100 Arthur Street  
North Sydney NSW 2060  
Australia

'**nbn**', 'bring it on', 'Sky Muster' and the Aurora device are trademarks of nbn co limited ABN 86 136 533 741

### Date

This Half-Year Report is for the six months ended 31 December 2016.

### Glossary

Defined terms within this Half-Year Report should be read in conjunction with the glossary of terms included in the 2015-16 Annual Report.



# About nbn

nbn co limited (**nbn** or the Company) was established in 2009 to design, build and operate Australia's new high-speed broadband network. Underpinned by a purpose to connect Australia and bridge the digital divide, **nbn's** key objective is to ensure all Australians have access to fast broadband as soon as possible, at affordable prices, and at least cost.

To achieve this objective, **nbn** has been structured as a wholesale-only, open-access broadband network available on equivalent terms to all access seekers. This is intended to level the playing field in Australian telecommunications, creating real and vibrant competition within the industry.

**nbn** is a Government Business Enterprise (GBE) incorporated under the *Corporations Act 2001* and operated in accordance with the *Public Governance, Performance and Accountability Act 2013* (PGPA Act).

**nbn's** objectives are set by the Shareholder Ministers in a document referred to as a Statement of Expectations (SoE), which is supplemented from time to time by policy directives and correspondence. **nbn's** current objectives are set out in the 24 August 2016 SoE.



**nbn** is wholly-owned by the Commonwealth of Australia.



**nbn's key objective is to ensure all Australians have access to fast broadband as soon as possible, at affordable prices, and at least cost.**



# nbn's purpose and goal

## Connecting Australia and bridging the digital divide

**nbn** exists to construct and operate Australia's high-speed broadband network. It is the most comprehensive and largest infrastructure development in Australia's history, using world-class technologies to provide access to fast broadband to every home and business in Australia.

It will be the nation's first national wholesale-only, open-access broadband network with a commitment to deliver access to at least 25 megabits per second (Mbps) downstream to all premises and at least 50 Mbps downstream to 90 per cent of fixed line premises\*. This ambition for universal connectivity is unique to Australia considering its expansive geography and population.

## Enabling an exciting future for all Australians

The **nbn**<sup>TM</sup> network will allow Australia to unleash its full digital potential. It will help transform the nation and fundamentally enable Australia to become a more connected, more competitive, and more innovative nation. It will help bridge the digital divide between city and country; young and old; and Australia and the rest of the world.

This vital infrastructure will help change the way businesses operate and how people live their lives, connecting people, promoting social inclusion and equal opportunity.

It enables the use of new technologies and applications, stimulating improvement and innovation across a wide range of industries such as education, health, entertainment, media, commerce and community services.

\* The **nbn**<sup>TM</sup> network is being designed to provide these peak speeds to **nbn**'s Retail Service Providers at **nbn**'s network boundary.

Our goal  
is to activate  
**8 million**

 homes  
and businesses  
 by 2020



# Directors' report

The Directors of the Company present their report on **nbn** and its subsidiaries (the Group or the **nbn** Group), together with the Financial Report of the Group for the Half-Year ended 31 December 2016 and the auditor's review report thereon.

The principal activities of the Group are to build and operate the **nbn**<sup>™</sup> network, which has been structured as a wholesale-only, open-access broadband network available on equivalent terms to all access seekers.

# nbn's purpose and goal

Our goal is to activate 8 million homes and businesses by 2020, connecting Australia and bridging the digital divide

Commerce



Global connectivity



Health and lifestyle



Data and storage



Education



Entertainment



# How nbn is achieving its goal

## Our five strategic imperatives



1. A high-performing and reliable network



2. Effective and efficient processes and systems



3. United partnership with vendors, Delivery Partners and Retail Service Providers



4. Affordable products and services



5. A great place to work

## Multi-Technology Mix



FTTP



FTTN



FTTB



FTTC



HFC



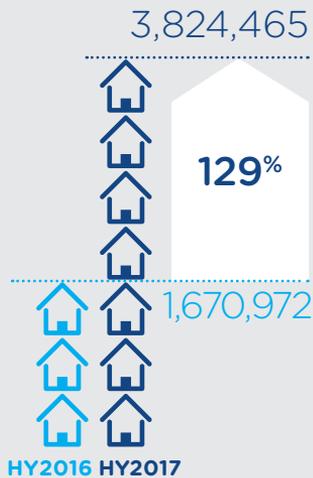
Sky Muster™ satellite



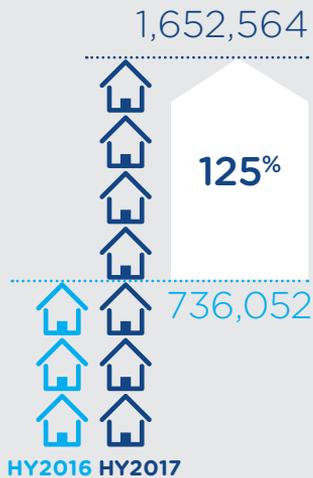
Fixed Wireless

# nbn's progress to date

## Ready for service



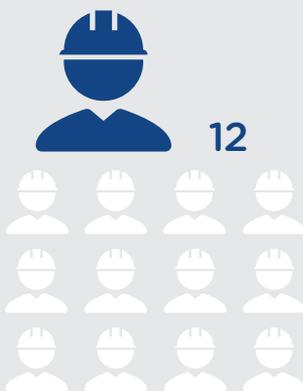
## Activations



## People



## Key Delivery Partners



## Revenue



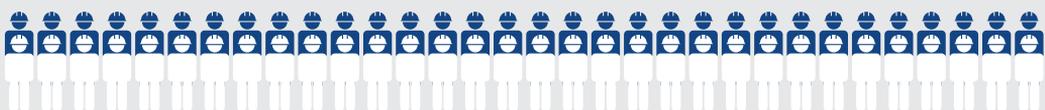
## Retail Service Providers



## ARPU



## External workforce of 17,000+







# Operating and financial review

## Our operating model: building and operating a fast broadband network for all Australians

The **nbn**<sup>™</sup> network is designed on an outcome basis with the aim of providing all Australians with access to fast broadband, as soon as possible in the most cost-effective manner.

To help achieve this outcome, **nbn** has adopted a Multi-Technology Mix (MTM) model that takes full advantage of a range of technologies including Fibre-to-the-Premises (FTTP), Fibre-to-the-Node (FTTN), Hybrid Fibre Coaxial (HFC), Fixed Wireless and Sky Muster<sup>™</sup> satellite services. The MTM model now also includes Fibre-to-the-Curb (FTTC).

Underpinning **nbn**'s goal to activate 8 million homes and businesses by 2020 are five strategic imperatives, which are outlined on the following page.

# Our strategic imperatives

To fulfil our goal, nbn has five strategic imperatives.

---

**1.**

## A high-performing and reliable network



Build a high-performing and reliable network with our Retail Service Providers (RSPs) that delivers modern internet access and experience

**2.**

## Effective and efficient processes and systems



Build processes and systems to optimise efficiency and effectiveness in order to keep cost low and output high

**3.**

## United partnership with vendors, Delivery Partners (DPs) and RSPs



Build a united partnership where our vendors, DPs and RSPs work alongside us and share in our success

**4.**

## Affordable products and services



Build affordable products and services where our RSPs connect Australians regardless of socio-economic status or location

**5.**

## A great place to work



Make nbn a great place to work, where people flourish and results exceed expectations

# Our performance: strong progress towards 2020 operational goals

The Company's performance against rollout and operational milestones is reported weekly to the Shareholder Ministers and those reports are publicly available on **nbn**'s website.

These are the key performance indicators used to monitor the progress of the rollout. Monthly reports are provided to the Board of Directors and Shareholder Ministers. Quarterly financial statements and operational briefings are made public.

The 2017 Corporate Plan outlines the financial and non-financial goals to be achieved by 2020. Commentary on **nbn**'s performance against its 2020 operational goals for the first half of FY2017 (HY2017) is provided below.

## Progress against our goal - 8 million homes and businesses activated by 2020

### Strategic imperatives:

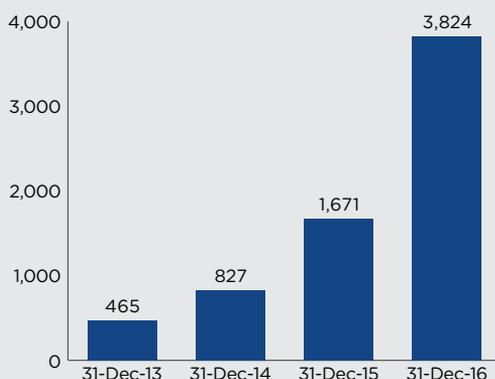


**nbn** has continued to make significant progress against its rollout targets, working tirelessly to connect Australia.

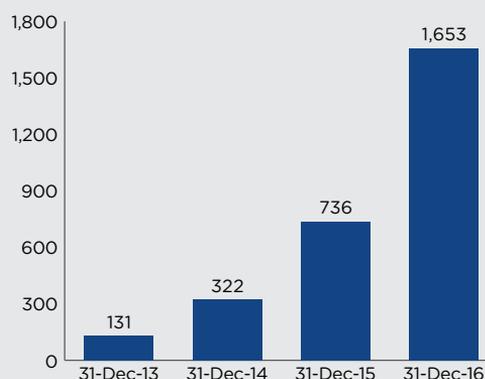
During HY2017, the rollout of the **nbn**<sup>™</sup> network continued to accelerate with the network expanding to more than 930,000 additional homes and businesses. As at 31 December 2016, the number of premises ready for service reached 3.8 million. This means one in three Australian premises can now order a service from an RSP and connect to fast broadband.

**nbn** has achieved this by optimising the rollout mix, improving processes and empowering a motivated and skilled group of people. Momentum is expected to continue to increase.

Cumulative premises ready for service ('000)



Cumulative end users activated ('000)



## Progress against our goal – 8 million homes and businesses activated by 2020

People choosing to connect to the **nbn**<sup>™</sup> network have also increased, with approximately 20,000 homes added each week. During HY2017, more than 550,000 end-user premises were activated on the network and as at 31 December 2016 the number of cumulative end-user activations exceeded 1.6 million.

**nbn** is encouraged by the current take-up rate. At the end of the 18 month migration window, 74 per cent of homes and businesses who can order a service, have moved to the **nbn**<sup>™</sup> network.

An overview of the contribution by each technology to our progress in HY2017 is outlined as follows.



### Fibre-to-the-Premises

During HY2017, the number of premises ready for service increased by 25 per cent compared to 31 December 2015 to 1,452,396 as at 31 December 2016.

The number of end users activated on the FTTP network increased by 59 per cent compared to 31 December 2015, with the number of end users reaching 969,670 as at 31 December 2016.



### Fibre-to-the-Node

During HY2017, the FTTN network rollout increased at pace to reach 1,334,824 premises ready for service as at 31 December 2016. This represents an increase of more than one million premises since 31 December 2015 that are able to connect to the **nbn**<sup>™</sup> network using FTTN. As at 31 December 2016, the number of end users activated on the FTTN network reached 449,258. Fibre-to-the-Basement (FTTB) is a subset of the FTTN network. FTTN metrics include FTTB.

## Progress against our goal - 8 million homes and businesses activated by 2020



### Fibre-to-the-Curb

It was announced in September 2016 that Fibre-to-the-Curb (FTTC) would be deployed to a potential footprint of up to 700,000 premises across the country. **nbn's** deployment of FTTC services is planned to launch in 2018.



### Hybrid Fibre Coaxial

The HFC technology was commercially launched in June 2016. Following the signing of the HFC Delivery Agreement with Telstra in April 2016, **nbn** signed Multi-Technology Integrated Master Agreements (MIMAs) with six Delivery Partners during HY2017. These contracts are instrumental to the rollout of the HFC network, which is planned to reach scale towards the end of FY2017. As at 31 December 2016, the number of premises ready for service were 158,938 with 14,615 end users activated on the HFC network.



### Fixed Wireless

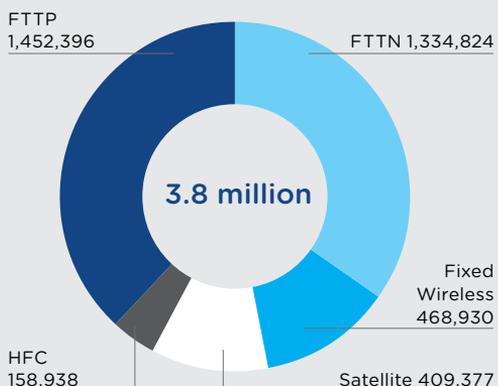
The rollout of the Fixed Wireless network continued during HY2017 with the number of premises ready for service increasing to 468,930 as at 31 December 2016. Over the same period, the number of end users activated on the Fixed Wireless network reached 154,078.



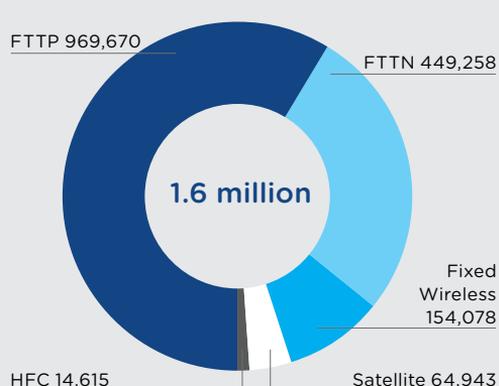
### Sky Muster™ satellite

In October 2016, **nbn** celebrated the successful launch of Sky Muster™ II, the second **nbn** purpose built satellite. As at 31 December 2016, 64,943 end users were activated on the satellite network which includes 54,436 end users on the Sky Muster™ service. Demand for the Sky Muster™ service is strong with an expectation that all end users will be migrated from the Interim Satellite Service (ISS) during the second half of this financial year.

Cumulative premises ready for service  
HY2017



Cumulative end users activated  
HY2017



## Progress against our goal - Annual revenue of \$5 billion by 2020

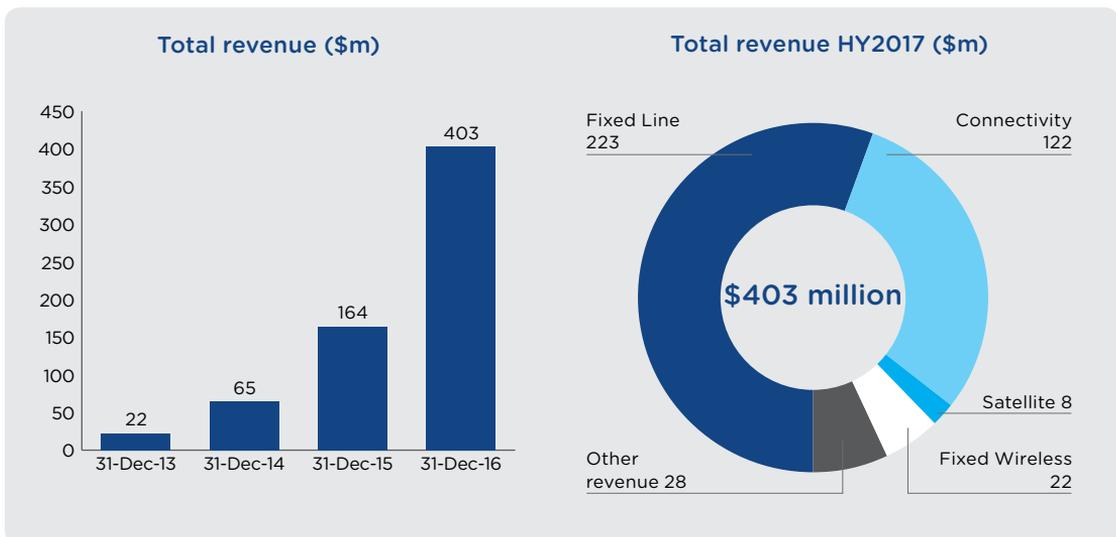
**nbn** continues to progress towards its annual revenue goal of \$5 billion by 2020. Revenue has increased in line with the number of premises activated. In HY2017, total revenue grew by 146 per cent compared with HY2016 to \$403 million with Average Revenue Per User (ARPU) of \$43 during the period.

## Progress against our goal - Customer experience metric rating of at least 8 by 2020

The customer experience metric (CEM) is a measure of retail and wholesale service providers' experience with **nbn**. While **nbn** is committed to deploying the **nbn**<sup>™</sup> network efficiently, there is a strong focus on ensuring the satisfaction of **nbn**'s customers is maintained throughout the process.

As part of **nbn**'s strategy to align its business to customer needs, **nbn** has implemented a holistic Customer Experience Program covering all the key strategic and operational touch points with **nbn**'s customers. The CEM is measured annually and the feedback is gathered via 1:1 interviews with approximately 100 participants.

The overall CEM for FY2016 was 7.2 out of 10, compared to **nbn**'s corporate target for FY2016 of 6.9. There has been continued focus on this critical success metric during HY2017 to drive further improvements in customer experience.



## Progress against our goal - nbn is a great place to work

nbn had a strong participation rate in the recent interim employee engagement survey conducted during the period. The results show another pleasing improvement in employee engagement, reflecting effort and commitment to making nbn a great place to work.

Making nbn a great place to work is also underpinned by a number of initiatives linked to diversity and inclusion.

## Progress against our goal – Efficient use of Government funding to build the nbn™ network

nbn remains focused on building the nbn™ network in the most efficient and cost-effective way. nbn has continued to invest in capabilities that enable a fast and cost-effective rollout of the nbn™ network. At 31 December 2016, total funding received from the Australian Government was \$23.8 billion (31 December 2015: \$16.4 billion) out of an equity capital commitment of \$29.5 billion.

As outlined in the 2017 Corporate Plan, following the investment of the \$29.5 billion equity funding committed from the Australian Government, additional funding would be required to complete the rollout of the nbn™ network.

On 22 December 2016, the remaining funding required of \$19.5 billion to complete the nbn rollout of fast broadband to all Australians by 2020, was secured through a Government loan to nbn on commercial terms, informed by credit ratings received by nbn.



# Review of financial performance and position

## Financial highlights

| Key financial data for the six months ended 31 December | 2016<br>\$m | 2015<br>\$m | 2014<br>\$m | 2013<br>\$m |
|---|-------------|-------------|-------------|-------------|
| Total revenue   | 403         | 164         | 65          | 22          |
| Adjusted EBITDA   | (455)       | (480)       | (396)       | (439)       |
| EBITDA  | (1,004)     | (688)       | (497)       | (478)       |
| Net loss after tax                                      | (1,829)     | (1,239)     | (902)       | (716)       |
| Total assets  | 20,978      | 15,340      | 10,936      | 7,674       |
| Contributed equity                                      | 23,805      | 16,385      | 10,395      | 6,478       |
| Capital expenditure*                                    | 2,839       | 2,127       | 1,433       | 1,188       |

The financial highlights reflect the progress and momentum of **nbn** for the six months ended 31 December 2016.

The Group generated total revenue of \$403 million, \$239 million more than HY2016. Notwithstanding the significant growth in revenue, **nbn** recognised a loss before interest, tax, other income, depreciation and amortisation (EBITDA) of \$1,004 million and a net loss after tax of \$1,829 million.

The adjusted EBITDA loss of \$455 million excludes subscriber costs. Subscriber costs include expenditure relating to Telstra and Optus customer disconnection and migration activity as well as medical alarm and satellite subsidy schemes. Adjusted EBITDA reflects the result for the underlying ongoing business activities of the Group.

At 31 December 2016, **nbn** had total assets of \$20,978 million, an increase of \$2,426 million (13 per cent) compared with 30 June 2016, primarily driven by \$2,839 million in capital expenditure on property, plant and equipment and intangible assets.

During HY2017, **nbn** received Commonwealth Government equity injections of \$3,530 million, which were primarily used in acquiring property, plant and equipment and intangible assets, and funding operational requirements.



Incremental equity injections of  
**\$3.5 billion**  
since 30 June 2016



Funded capital expenditure\* of  
**\$2.8 billion**  
driving **nbn**<sup>TM</sup> network expansion



Total assets increased to  
**\$21.0 billion**  
as at 31 December 2016

\* Capital expenditure excludes additions of leased assets, gifted assets and items of property, plant and equipment classified as inventories.

## Financial Performance

### Revenue

| Total revenue for the six months ended 31 December | 2016<br>\$m | 2015<br>\$m | 2014<br>\$m | 2013<br>\$m |
|--|-------------|-------------|-------------|-------------|
| FTTP   | 173         | 91          | 36          | 10          |
| FTTN   | 49          | -           | -           | -           |
| HFC  | 1           | -           | -           | -           |
| Fixed Wireless                                     | 22          | 12          | 4           | 1           |
| Satellite  | 8           | 5           | 6           | 6           |
| Connectivity                                       | 122         | 51          | 18          | 5           |
| <b>Telecommunications revenue</b>                  | <b>375</b>  | <b>159</b>  | <b>64</b>   | <b>22</b>   |
| Other revenue                                      | 28          | 5           | 1           | -           |
| <b>Total revenue</b>                               | <b>403</b>  | <b>164</b>  | <b>65</b>   | <b>22</b>   |
| <b>Average revenue per user (ARPU) - (\$)</b>      | <b>\$43</b> | <b>\$43</b> | <b>\$39</b> | <b>\$36</b> |

The most significant driver of revenue growth is the expansion of the **nbn**<sup>™</sup> network and the resulting increase in the number of active end users.

Revenue for HY2017 increased by \$239 million (146 per cent) compared with HY2016, to \$403 million, driven by a 125 per cent increase in active end users (from 736,052 to 1,652,564).

FTTP revenue for HY2017 increased by \$82 million (90 per cent) compared with HY2016 to \$173 million, driven by a 59 per cent increase in the number of end users activated on the FTTP network (from 610,978 to 969,670).

FTTN revenue for HY2017 totalled \$49 million, generated from the rapidly increasing number of end users activated on the FTTN network with 449,258 end users activated at the end of the period.

Fixed Wireless network revenue nearly doubled in HY2017 compared with HY2016, to \$22 million, driven by an 87 per cent increase in the number of end users activated on the Fixed Wireless network (from 82,435 to 154,078).

Satellite network revenue comprises revenue generated from **nbn**'s ISS and Sky Muster<sup>™</sup> I service. In HY2017, satellite revenue of \$8 million includes the commercial services of Sky Muster<sup>™</sup> I, to 54,436 end users.



# 125%

increase in  
activations  
compared to HY2016

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# \$43

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# 146%

increase  
in revenue  
compared to HY2016

Connectivity revenue increased by \$71 million (139 per cent) compared with HY2016, to \$122 million in HY2017. The increase in connectivity revenue is driven by the demand for connectivity virtual circuit (CVC) capacity by RSPs as active end users continue to grow and consume more data.

Across the network in HY2017, revenue was generated from 1,652,564 active end users at a weighted ARPU of \$43 (HY2016: \$43). The drivers of ARPU consist of both active end-user activity (volume) and price (rate).

ARPU remained constant during the period, despite the reduction of CVC rates introduced in June 2016 and December 2016, reflecting a new dimension based discount (DBD) pricing model. This model, which reduced CVC rates from \$17.50/month per Mbps to \$15.25/month per Mbps, responds to the expected rapid increase in data consumption by Australian consumers. It also rewards RSPs with a discount (determined at an industry level) for delivering a greater allocation of capacity to end users.

During the period **nbn** introduced a marketing program with RSPs to educate and inform end users of the different speed tiers available on the network. This is to assist end users in the selection of the right product to suit their needs.

Other revenue includes fees from developers and licensing, as well as the Technology Choice program.



Connectivity  
revenue

**+\$71 million**

compared to HY2016



FTTP  
revenue

**+\$82 million**

compared to HY2016



FTTN  
revenue

**+\$49 million**

compared to HY2016

## Expenditure

| Expenditure for the six months ended 31 December | 2016<br>\$m  | 2015<br>\$m  | 2014<br>\$m | 2013<br>\$m |
|--|--------------|--------------|-------------|-------------|
| Direct network costs                             | 246          | 173          | 130         | 129         |
| Subscriber costs                                 | 549          | 208          | 101         | 39          |
| Employee benefits expenses                       | 362          | 280          | 195         | 193         |
| Outsourced and corporate services                | 77           | 55           | 63          | 50          |
| IT and software expenses                         | 63           | 53           | 27          | 40          |
| Communication and public information             | 36           | 20           | 2           | 2           |
| Other expenses                                   | 74           | 63           | 44          | 47          |
| Depreciation and amortisation expense            | 658          | 402          | 283         | 169         |
| Finance charges – leased assets                  | 187          | 160          | 148         | 95          |
| <b>Total expenditure</b>                         | <b>2,252</b> | <b>1,414</b> | <b>993</b>  | <b>764</b>  |

### Key cost drivers



**5,444**  
Employees



**1.6 million**  
Activations



**3.8 million**  
Premises ready  
for service

In line with the expansion of the **nbn**<sup>™</sup> network and the increase in active end users, the Company has grown significantly during HY2017.

As a result of the underlying growth in the business, total expenditure in HY2017 increased by \$838 million (59 per cent) compared with HY2016, to \$2,252 million.

The key drivers include:

**Direct network costs** grew by \$73 million (42 per cent) compared with HY2016, to \$246 million. Direct network costs are correlated to the growth of the **nbn**<sup>™</sup> network and primarily relate to operational and assurance services for the access networks. Further costs include the rental of infrastructure from third party providers as the Fixed Wireless and fixed line networks expand.

**Subscriber costs** increased by \$341 million (164 per cent) compared with HY2016, to \$549 million. The increase in these costs reflects the greater number of end users connected to the **nbn**<sup>™</sup> network as customers continue to disconnect and migrate from the Telstra and Optus networks. Such costs are excluded from the Adjusted EBITDA metric as they are expected to cease by FY2022 and are therefore not reflective of the ongoing operations of the Group.

**Employee benefits expenses** increased by \$82 million (29 per cent) compared with HY2016, to \$362 million. Employee related expenses include costs of **nbn** employees, as well as labour hire and contractors (net of amounts that have been capitalised and included in the cost base of non-current assets).

The growth in employee benefits expenses was driven by an increase in the number of employees and contractors during HY2017. Employee head count increased from 4,191 at 31 December 2015 to 5,444 at 31 December 2016 as **nbn** continues to expand and grow.

**Outsourced and corporate services** increased by \$22 million (40 per cent) compared with HY2016, to \$77 million. This expenditure includes costs to define and establish business operations, ongoing support of outsourced operations as well as strategic consulting, accounting and internal audit expenses and legal services.

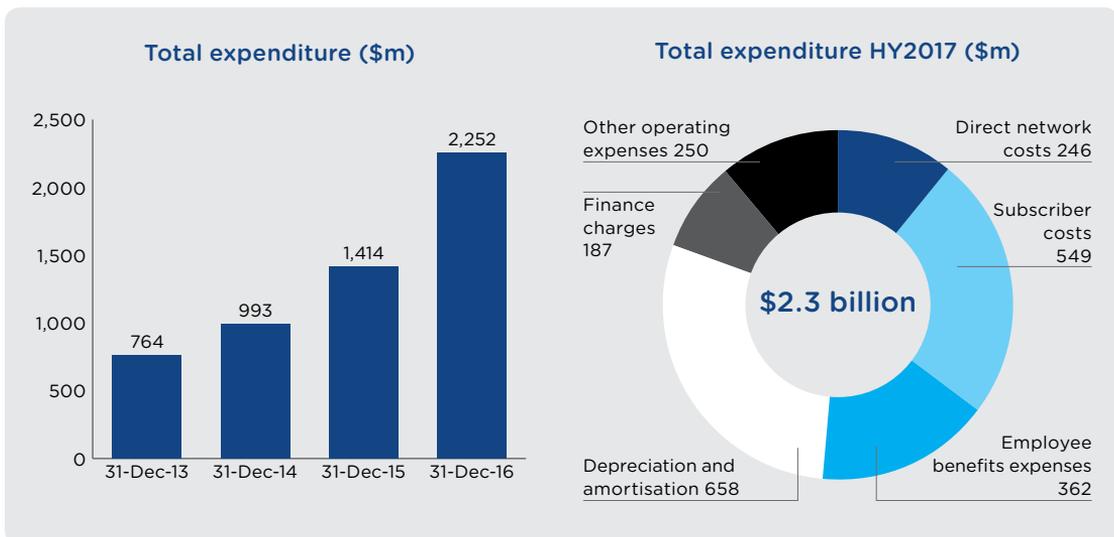
**IT and software expenses** increased by \$10 million (19 per cent) compared with HY2016 to \$63 million, reflecting the growth in application support, IT security, software licences and maintenance costs, as well as telephony costs. IT and software expenditure has increased in line with the functional and capacity requirements of operating the enhanced and expanded **nbn**™ network.

**Communication and public information costs** increased by \$16 million (80 per cent) compared with HY2016, to \$36 million, reflecting the growth in the available **nbn** footprint. This expenditure is associated with branding, research, advertising and media campaigns, as well as educating end users on how to connect to the **nbn**™ network.

**Other expenses** increased by \$11 million (17 per cent) compared with HY2016, to \$74 million. This is primarily driven by the growth of the **nbn** workforce including occupational health and safety, training, insurance, occupancy costs and other miscellaneous expenditure.

**Depreciation and amortisation expense** increased by \$256 million (64 per cent) compared with HY2016, to \$658 million, reflecting the increase in the number of assets placed into service as the **nbn**™ network continues to expand.

**Finance charges - leased assets** primarily relate to the accounting convention for assets treated as finance leases under long-term right of use arrangements. These charges increased by \$27 million (17 per cent) compared with HY2016, to \$187 million, driven by additional infrastructure supplied by Telstra under right of use arrangements.



## Capital expenditure\*

| Capital expenditure for the six months ended 31 December | 2016<br>\$m  | 2015<br>\$m  | 2014<br>\$m  | 2013<br>\$m  |
|--|--------------|--------------|--------------|--------------|
| FTTP network   | 294          | 669          | 756          | 398          |
| FTTN network   | 1,014        | 599          | 41           | -            |
| FTTC network   | 5            | -            | -            | -            |
| HFC network  | 631          | 151          | -            | -            |
| Fixed Wireless network                                   | 177          | 180          | 145          | 125          |
| Satellite network  | 158          | 91           | 175          | 287          |
| Transit network  | 190          | 109          | 125          | 236          |
| Common capital expenditure                               | 370          | 328          | 191          | 142          |
| <b>Total capital expenditure</b>                         | <b>2,839</b> | <b>2,127</b> | <b>1,433</b> | <b>1,188</b> |

Underpinning the significant growth in network deployment, with more than three quarters of the nation at 31 December 2016 either ready for service or in the design or construction phase, is our investment in capital expenditure.

Capital expenditure incurred during HY2017 was \$2,839 million, an increase of \$712 million (33 per cent) compared with HY2016. The key drivers of capital expenditure during the period relate to design, construction and activation activities for the deployment of **nbn**'s access technologies across Australia.

**FTTP network:** Capital expenditure incurred in constructing and connecting end users to the FTTP network during HY2017 was \$294 million, primarily representing expenditure on the Greenfield FTTP network and connecting end users to the Brownfield FTTP network.

**FTTN network:** During HY2017, \$1,014 million of capital expenditure was incurred for design and construction activities resulting in an additional 672,095 premises ready for service since 30 June 2016. As at 31 December 2016, there were 2,980,469 premises currently in design and construction reflecting the ongoing build of the FTTN network.

**FTTC network:** During HY2017, \$5 million of capital expenditure was incurred for design activities.

As at 31 December 2016



**9.1 million**  
premises in design  
or designed



**5.2 million**  
premises in  
construction  
or constructed



**3.8 million**  
premises ready  
for service

\* Capital expenditure excludes additions of leased assets, gifted assets and items of property, plant and equipment classified as inventories.

**HFC network:** During HY2017, \$631 million of capital expenditure was incurred for design and construction activities. As at 31 December 2016, there were 158,938 premises ready for service and 1,684,433 premises currently in design and construction reflecting the scaling of the deployment of the HFC network.

**Fixed Wireless network:** During HY2017, capital expenditure incurred for the Fixed Wireless network was \$177 million. This capital expenditure reflects the acquisition of a further 250 wireless sites during the period and the integration of an additional 144 base stations.

**Sky Muster™ satellite service:** Capital expenditure during HY2017 was \$158 million. This expenditure relates to activity for the build and launch services associated with Sky Muster™ II, as well as customer connection activity associated with Sky Muster™ I.

**Transit network:** Investment in the transit network has continued to support the rollout of the access technologies and to augment the nbn™ network as capacity demand continues to grow from end users.

**Common capital expenditure:** \$370 million was incurred during HY2017 for common capital expenditure, primarily related to the development of our network platforms to support the operation of the access technologies, network operating tools to support the field workforce, the build of back office systems and data quality, ongoing network releases to support product development as well as fit out costs of commercial properties.

## Cost per premises

Average cost per premises (CPP) represents the life-to-date incremental capital costs incurred in building the nbn™ network from the transit network to the in-premises connection for each technology, excluding early release or pilot sites.

| Cost per premises       | 31 Dec 16<br>\$ | 30 June 16<br>\$ |
|-------------------------|-----------------|------------------|
| Brownfield FTTP network | 4,405           | 4,411            |
| Greenfield FTTP network | 2,504           | 2,608            |
| FTTN network            | 2,172           | 2,257            |
| HFC network             | 2,259           | -                |
| Fixed Wireless network  | 3,551           | 3,559            |

### Brownfield FTTP network

The CPP is consistent with recent reporting periods and in line with expectations as construction on the Brownfield FTTP network is reducing.

### Greenfield FTTP network

The CPP decrease during HY2017 was driven by additional sites utilising existing temporary transit infrastructure (TFAN/TTFN) as the program expands, combined with efficiencies.

### FTTN network

The CPP decrease during HY2017 is primarily driven by lower design and construction costs, as well as efficiencies in customer connections.

### HFC network

The CPP of \$2,259, for the premises constructed in the early stages of the HFC program, is below the expectations set out in the 2017 Corporate Plan of \$2,300.

### Fixed Wireless network

The CPP decrease during HY2017 is primarily driven by an increase in the average number of premises serviced by each wireless base station.

## Equity funding

The Australian Government contributed \$3,530 million in equity during HY2017. At 31 December 2016, total Government investment was \$23,805 million.

# Risk management

nbn's Board of Directors and management are committed to proactive identification, assessment and management of material risks. The Risk Management Policy articulates the Company's objectives, approach and responsibilities with regard to risk management and is reviewed annually by the Audit and Risk Committee and the Board of Directors.

Risks and controls are reviewed and monitored on a regular basis.

The nbn risk profile remains in a positive position, reflecting progress made on the network build and the continuing development of sustainable processes, systems and resource capability. However, as technologies evolve and converge, new risk exposures may impact our approach to technology choice, pricing decisions and cost base.

The central challenges and risks for nbn can be grouped into three main themes that nbn has identified as critical to the build and operation of the nbn™ network, and to nbn meeting its strategic imperatives.

## 1. Meeting the scale challenge

nbn requires further scaling, adding challenges in process complexity, resource contention, delivery of IT systems, and the ability to activate, operate and maintain the nbn™ network in a safe and environmentally-responsible manner to meet customer and end-user service expectations in line with publicly-communicated targets.

| Risk description  | Mitigation strategy  |
|---|--|
| <p><b>Health, Safety and Environment (HSE):</b> the ability of nbn and its contractors to construct, activate, operate and maintain the network in a manner that prioritises the prevention of material HSE failures, protecting workers, the environment and the community.</p> <p><b>Strategic imperatives:</b></p>  | <ul style="list-style-type: none"> <li>• Continual improvement of the HSE Management System.</li> <li>• HSE consultation, communication, culture, and risk based capability frameworks.</li> <li>• Enhancing safety and environmental (energy and carbon) governance.</li> </ul>   |
| <p><b>Critical process capacity:</b> ensuring the readiness of the critical processes, people capabilities and IT systems to successfully scale and deliver against expected volumes and time frames.</p> <p><b>Strategic imperatives:</b></p>   | <ul style="list-style-type: none"> <li>• Optimisation of workforce transition to align along the network 'build' to 'operate' journey.</li> <li>• Maturing nbn's scaling disciplines through targeted capability uplift programs.</li> <li>• Enhancing Delivery Partner scaling capability through targeted programs.</li> </ul> |

## 1. Meeting the scale challenge (continued)

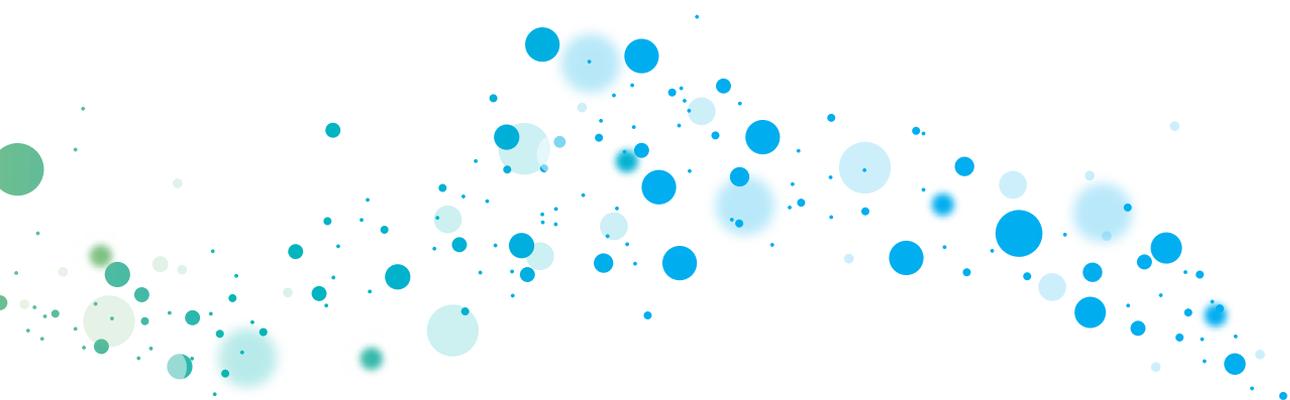
| Risk description   | Mitigation strategy  |
|--|--|
| <p><b>Security:</b> providing the required level of security for critical infrastructure assets and limiting the potential for compromise of information and assets.</p> <p><b>Strategic imperatives:</b></p>                          | <ul style="list-style-type: none"><li>• Computer Security Operations Centre monitoring and response capability.</li><li>• Mandatory security awareness training for all <b>nbn</b> employees.</li><li>• Ongoing deployment of security controls into networks in response to emerging threats.</li></ul> |
| <p><b>Material adverse events:</b> safeguarding assets and processes against events such as natural hazards (fire, flood, etc.) and other business interruptions, including network outages.</p> <p><b>Strategic imperatives:</b></p>  | <ul style="list-style-type: none"><li>• Corporate Business Continuity Management program.</li><li>• Disaster recovery and IT service continuity arrangements.</li><li>• Crisis Management Team, and formal Incident and Emergency Management structures and response arrangements.</li></ul>             |



## 2. Management of partners

**nbn** needs to continue realising intended benefits from contractual agreements, while managing the risk associated with a reliance on third parties. With robust programs deployed to manage partners to date, emphasis now shifts to streamlining governance and improving operational alignment and supplier scaling capabilities.

| Risk description   | Mitigation strategy  |
|--|--|
| <p><b>Reliance on key Delivery Partners:</b> <b>nbn</b>'s focus on utilising Delivery Partners with proven capabilities has resulted in a reliance being placed on a number of Delivery Partners.</p> <p><b>Strategic imperatives:</b></p>  | <ul style="list-style-type: none"> <li>• Contractual ability to load share and reallocate work programs to alternative partners where performance targets are not being achieved.</li> <li>• Strong governance and monitoring of Delivery Partner performance.</li> <li>• Business continuity requirements introduced to Deliver Partner contracts.</li> </ul> |
| <p><b>Partner management:</b> operationalising contractual agreements efficiently, realising intended benefits and ensuring that partners deliver <b>nbn</b>'s requirements.</p> <p><b>Strategic imperatives:</b></p>                      | <ul style="list-style-type: none"> <li>• Standardised Partner Governance Model that drives effective escalation and performance oversight.</li> <li>• Ongoing process scaling program to improve scalability of partner processes.</li> <li>• Joint Improvement Teams to drive innovation between <b>nbn</b> and Delivery Partners.</li> </ul>                 |



### 3. Competition, revenue and regulatory

nbn needs to remain on target to achieve forecast revenue and activation rates, while adapting to the evolving regulatory environment, competing against infrastructure providers and encouraging competitive dynamics among Retail Service Providers.

| Risk description   | Mitigation strategy   |
|--|---|
| <p><b>Competitive dynamics:</b> Evaluating and responding to emerging technologies and market competitors whilst encouraging a competitive environment for RSPs.</p> <p><b>Strategic imperatives:</b></p>                | <ul style="list-style-type: none"> <li>• Assessment of material competitive threats and development of response strategies.</li> <li>• Development of innovative products and review of technology opportunities.</li> <li>• Ongoing review of pricing constructs.</li> </ul>                     |
| <p><b>Regulatory Environment:</b> The potential for unfavourable regulatory changes.</p> <p><b>Strategic imperatives:</b></p>    | <ul style="list-style-type: none"> <li>• Ongoing monitoring of the regulatory environment.</li> <li>• Active monitoring and engagement of shareholders and stakeholders.</li> </ul>   |
| <p><b>Residential and Business ARPU:</b> Managing activation rates and ARPU to adapt to evolving sales mixes, product offerings, consumer behaviours and connectivity needs.</p> <p><b>Strategic imperatives:</b></p>  | <ul style="list-style-type: none"> <li>• Close monitoring of market data and research.</li> <li>• Targeted business segment product development and value proposition delivery.</li> <li>• Ongoing review of pricing architecture.</li> <li>• Move to dimension based pricing for CVC.</li> </ul> |



# Board of Directors

The names and details of the Directors in office during the Half-Year and the period until the date of this report are as follows:

## Current Directors



**Dr Ziggy Switkowski AO**

*(Chairman/Non-Executive Director)*



**Mr Patrick Flannigan**

*(Non-Executive Director)*

Dr Switkowski was appointed Executive Chairman of **nbn** effective 3 October 2013, and reverted to the role of Non-Executive Chairman from 2 April 2014 following the appointment of Mr Bill Morrow as Chief Executive Officer.

Dr Switkowski is Chairman of the Suncorp Group and a Director of listed companies Healthscope Ltd and Tabcorp Holdings Limited. He is Chancellor of RMIT University.

Dr Switkowski is a former Chairman of the Australian Nuclear Science and Technology Organisation and Opera Australia. He has previously held positions as Chief Executive Officer of Telstra Corporation Limited and Optus Communications Ltd.

He is a Fellow of the Australian Academy of Technological Sciences, the Australian Academy of Science and the Australian Institute of Company Directors. Dr Switkowski has a Bachelor of Science (Honours) and PhD (Nuclear Physics).

Dr Switkowski's current term will expire on 2 October 2019.

Mr Flannigan was appointed as a Director effective 11 November 2013. Mr Flannigan brings more than 25 years' experience in infrastructure services and has held senior roles in both private and publicly listed companies.

Mr Flannigan established his own business, Integrated Maintenance Services in 2000 and was the founding Managing Director and Chief Executive Officer of Service Stream Ltd for six years from 2003.

He then managed network construction as **nbn**'s Head of Construction from 2009 to early 2011. In 2011 Mr Flannigan founded Utility Services Group and served as the Chief Executive Officer and Managing Director until 30 June 2015 when the company was acquired by an ASX listed company.

Mr Flannigan was appointed as Managing Director of Urban Maintenance Systems Pty Ltd, effective 1 August 2016. Mr Flannigan was also appointed as a member of the Melbourne and Olympic Parks Trust effective 13 December 2016.

Mr Flannigan has a business degree from Victoria University, is a Fellow of the Australian Institute of Management and the Australian Institute of Company Directors, and until late July 2016 held a Board position at the Australian Grand Prix Corporation.

Mr Flannigan's current term will expire on 10 November 2019.



### **Ms Shirley In't Veld**

*(Non-Executive Director)*

Ms In't Veld was appointed as a Director effective 2 December 2015. Ms In't Veld has extensive experience as a senior executive including as Managing Director of Verve Energy, Vice President of Primary Business Development for Alcoa Australia and Managing Director of Alcoa Australia Rolled Products.

Ms In't Veld is currently a Non-Executive Director of DUET Group, Northern Star Resources Limited and Perth Airport, Deputy Chairperson of the CSIRO and in March 2016 she was appointed to the Australian Government Takeovers Panel. In 2014, Ms In't Veld was Chairman of the Queensland Government Expert Electricity Panel and a member of the Renewable Energy Target Review Panel for the Department of Prime Minister and Cabinet and was until recently a Council member of the Australian Institute of Company Directors (WA) and an Advisory Board member of the SMART Infrastructure Facility (University of Wollongong). She holds a Bachelor of Laws (Hons) and a Bachelor of Commerce from the University of Melbourne.

Ms In't Veld's current term will expire on 1 December 2018.



### **Mr Michael Malone**

*(Non-Executive Director)*

Mr Malone was appointed as a Director effective 20 April 2016. Mr Malone founded iiNet Limited, an ASX listed telecommunications company in 1993 and continued as CEO until his retirement in 2014.

Mr Malone is currently a Director of ASX listed Seven West Media Ltd, Superloop Ltd and Speedcast International. He is also a Director of Dreamscape Networks Limited and the founder and Chairman of Diamond Cyber Pty Ltd. Mr Malone's former directorships include Autism West (as founder and Vice Chairman) and .au Domain Administration (as a founder and Chairman). He is also a past Advisory Council Member of the Australian Institute of Management (WA) and a past member of the Commonwealth Consumer Affairs Advisory Council and the WA State Training Board.

Mr Malone has received a number of prestigious industry recognitions including 2012 Australian Entrepreneur of the Year, Communications Alliance Ambassador and is a holder of the Telecommunications Society Charles Todd Medal. He is a Fellow of the Australian Institute of Company Directors, the Australian Institute of Management and the Australian Computer Society. Mr Malone has a Bachelor of Science (Mathematics) and a post graduate Diploma in Education both from the University of Western Australia.

Mr Malone's current term will expire on 19 April 2019.



**Mr Justin Milne**  
*(Non-Executive Director)*

Mr Milne was appointed as a Director effective 11 November 2013. His career combines experience in telecommunications, marketing and media. As Chief Executive Officer of three of Australia's largest internet service providers, OzEmail, MSN and BigPond, Mr Milne built significant media businesses in the online and mobile phone worlds. He has been responsible for many successful marketing campaigns and has been honoured with a number of awards.

He is Chairman of MYOB Group Ltd, Chairman of NetComm Wireless Ltd and a Non-Executive Director of Tabcorp Holdings Limited, Members Equity Bank Ltd and SMS Management & Technology Ltd. Mr Milne has a Bachelor of Arts from Flinders University.

Mr Milne's current term will expire on 10 November 2019.



**Mr Bill Morrow**  
*(Managing Director and Chief Executive Officer)*

Mr Morrow was appointed as Chief Executive Officer (CEO) and a Director of **nbn** effective 2 April 2014. He joined **nbn** with a remit to ensure all homes, businesses and communities across Australia can access fast broadband as soon as possible, at affordable prices and at least cost.

Mr Morrow is known for his global expertise in leading complex turnarounds and capital intensive start-ups. His industry experience spans fixed line broadband services, fixed wireless, mobile wireless, and gas and electric utilities.

Prior to his present role Mr Morrow served as CEO of Vodafone Hutchison Australia in Sydney, CEO of Clearwire Corporation in Seattle, CEO of Pacific Gas & Electric Co., CEO of Vodafone Europe, and CEO of Japan Telecom.

Mr Morrow is a former Non-Executive Board member of Broadcom and Openwave.

Mr Morrow holds an Associate of Science degree in Electrical Engineering from Condie College and a BA in Business Administration from National University in San Diego.

Mr Morrow's current term as a Director will expire on 1 April 2017.



## **Dr Kerry Schott AO**

*(Non-Executive Director)*

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Dr Schott was appointed as a Director effective 28 September 2012. Dr Schott is Chairman of the Moorebank Intermodal Company Ltd, Chairman of TransGrid, a Director of TCorp NSW and Infrastructure Australia, and a Patron and Board member of Infrastructure Partnerships Australia.

She is currently on the advisory boards of Sydney Metro, HealthShare NSW and Sydney Light Rail. Dr Schott has worked in numerous senior executive roles including as Managing Director and CEO of Sydney Water, CEO of the NSW Government Commission of Audit, Managing Director of Deutsche Bank and Executive Vice President of Bankers Trust Australia. Prior to becoming an investment banker, Dr Schott was a public servant and an academic.

She holds a Doctor of Philosophy from Oxford University, a Masters of Arts from the University of British Columbia, Vancouver, a Bachelor of Arts (First Class Honours) from the University of New England, and Honorary Doctorates from the University of Sydney and the University of Western Sydney.

Dr Schott's current term will expire on 5 October 2018.

# Company Secretaries



**Ms Debra Connor**



**Ms Kylie Brown**

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Ms Connor was appointed as Company Secretary of **nbn** in June 2010.

Ms Connor has a Bachelor of Laws from the Queensland University of Technology and Graduate Diploma in Corporate Governance from the Governance Institute of Australia and has completed post graduate courses through Stanford and Columbia Universities in the US and Italy, respectively.

Prior to joining **nbn**, Ms Connor was Board Secretary of Port of Melbourne Corporation from January 2007, and prior to that she was in-house Counsel and Company Secretary with SMS Management & Technology Limited, a publicly listed management consulting company based in Melbourne with an international presence in the UK and Asia. Ms Connor joined SMS in January 2000.

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Ms Brown was appointed a Company Secretary of **nbn** in August 2015.

Ms Brown has a Bachelor of Laws and Bachelor of Arts from Macquarie University and a Certificate in Governance Practice from the Governance Institute of Australia. Ms Brown is also a General Counsel in the **nbn** Legal team reporting to the Chief Legal Counsel.

Prior to joining **nbn** in 2011, Ms Brown was a Senior Associate in private practice at Corrs Chambers Westgarth from 2000 to 2010 and a lawyer at Moray & Agnew from 1997 to 2000.

# Other information

## Directors' interests

The Directors of **nbn** have no interests in the shares of **nbn**.

## Significant events subsequent to reporting date

On 31 January 2017, **nbn** received \$850 million in equity funding from the Commonwealth Government.

Except for the item noted above, no other matter or circumstance has arisen since 31 December 2016 to the date of the signing of this report that has significantly affected, or may affect:

- The Group's operations in future financial years;
- The results of those operations in future financial years; and
- The Group's state of affairs in future financial years.

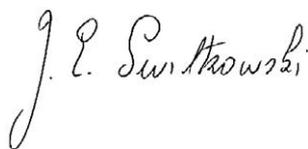
## Rounding of amounts

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

## Auditor independence

The Directors received an independence declaration from the Auditor-General. A copy of this report has been included with the Half-Year Financial Report.

Signed in accordance with a resolution of the Directors.



**Dr Ziggy Switkowski AO**  
Chairman



**Mr Bill Morrow**  
Chief Executive Officer

7 February 2017

# Auditor's independence declaration



Auditor-General for Australia



Dr Ziggy Switkowski AO  
Chairman  
nbn co limited  
Level 11, 100 Arthur Street  
North Sydney NSW 2060  
Australia

**nbn co limited Half-Year Financial Report for the period ended 31 December 2016**  
**AUDITORS INDEPENDENCE DECLARATION**

In relation to my review of the Half-Year Financial Report of the **nbn** Group (comprising nbn co limited and the entities it controlled at the period's end or from time to time during the Half-Year ended 31 December 2016), to the best of my knowledge and belief, there have been:

- i) no contraventions of the auditor independence requirements of the *Corporations Act 2001*; and
- ii) no contraventions of any applicable code of professional conduct.

Australian National Audit Office

Grant Hehir  
Auditor-General

Canberra  
7 February 2017

GPO Box 707 CANBERRA ACT 2601  
19 National Circuit BARTON ACT 2600  
Phone +61 2 6203 7500 Fax +61 2 6273 5355  
Email [grant.hehir@anao.gov.au](mailto:grant.hehir@anao.gov.au)



# Half-Year Financial Report

The Half-Year Financial Report, comprising of the consolidated financial statements and notes to the consolidated financial statements, for the Half-Year ended 31 December 2016, includes the Company and its subsidiaries (together referred to as the **nbn** Group or the Group).



Revenue of  
**\$403  
million**

for the  
six months ended  
31 December 2016



Property,  
plant and  
equipment of  
**\$17,739  
million**

as at  
31 December 2016



Contributed  
equity of  
**\$23,805  
million**

as at  
31 December 2016

# Statement of profit or loss and other comprehensive income

|   |         | nbn Group                  |                            |
|---|---------|----------------------------|----------------------------|
| For the six months ended  | Notes   | 31 December<br>2016<br>\$m | 31 December<br>2015<br>\$m |
| <b>Revenue</b>  |         |                            |                            |
| Telecommunications revenue  |         | 375                        | 159                        |
| Other revenue   |         | 28                         | 5                          |
| <b>Total revenue</b>  | B1      | <b>403</b>                 | <b>164</b>                 |
| <b>Interest income</b>  |         |                            |                            |
| Interest income   | B1      | 17                         | 13                         |
| Other income  | B1      | 7                          | 5                          |
| <b>Expenses</b>   |         |                            |                            |
| Direct network costs  |         | (246)                      | (173)                      |
| Subscriber costs  |         | (549)                      | (208)                      |
| Employee benefits expenses  |         | (362)                      | (280)                      |
| Outsourced and corporate services                                     |         | (77)                       | (55)                       |
| IT and software expenses  |         | (63)                       | (53)                       |
| Communication and public information                                  |         | (36)                       | (20)                       |
| Depreciation and amortisation expense                                 | C1 & C2 | (658)                      | (402)                      |
| Other expenses  |         | (74)                       | (63)                       |
| Finance charges - leased assets                                       |         | (187)                      | (160)                      |
| <b>Total expenses</b>   |         | <b>(2,252)</b>             | <b>(1,414)</b>             |
| <b>Loss before income tax</b>   |         | <b>(1,825)</b>             | <b>(1,232)</b>             |
| Income tax expense  |         | (4)                        | (7)                        |
| <b>Loss for the period</b>  |         | <b>(1,829)</b>             | <b>(1,239)</b>             |
| <b>Loss attributable to the shareholder</b>                           |         | <b>(1,829)</b>             | <b>(1,239)</b>             |
| <b>Other comprehensive (loss)/income</b>                              |         |                            |                            |
| <i>Items that may be reclassified to profit or loss</i>               |         |                            |                            |
| Changes in the fair value of cash flow hedges                         |         | (13)                       | (24)                       |
| Income tax benefit relating to components of other comprehensive loss |         | 4                          | 7                          |
| <b>Total other comprehensive loss for the period, net of tax</b>      |         | <b>(9)</b>                 | <b>(17)</b>                |
| <b>Total comprehensive loss for the period</b>                        |         | <b>(1,838)</b>             | <b>(1,256)</b>             |
| <b>Total comprehensive loss attributable to the shareholder</b>       |         | <b>(1,838)</b>             | <b>(1,256)</b>             |

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

# Statement of financial position

| As at                                | Notes | nbn Group                  |                        |
|--------------------------------------|-------|----------------------------|------------------------|
|                                      |       | 31 December<br>2016<br>\$m | 30 June<br>2016<br>\$m |
| <b>Current assets</b>                |       |                            |                        |
| Cash and cash equivalents            |       | 812                        | 1,287                  |
| Trade and other receivables          |       | 211                        | 160                    |
| Inventories                          |       | 36                         | 27                     |
| Derivative financial assets          |       | 2                          | 16                     |
| Held to maturity investments         |       | 529                        | 399                    |
| Other current assets                 |       | 74                         | 93                     |
| <b>Total current assets</b>          |       | <b>1,664</b>               | <b>1,982</b>           |
| <b>Non-current assets</b>            |       |                            |                        |
| Property, plant and equipment        | C1    | 17,739                     | 15,223                 |
| Intangible assets                    | C2    | 1,528                      | 1,334                  |
| Other non-current assets             |       | 47                         | 13                     |
| <b>Total non-current assets</b>      |       | <b>19,314</b>              | <b>16,570</b>          |
| <b>Total assets</b>                  |       | <b>20,978</b>              | <b>18,552</b>          |
| <b>Current liabilities</b>           |       |                            |                        |
| Trade and other payables             |       | 1,815                      | 1,567                  |
| Other liabilities                    |       | 13                         | 11                     |
| Other financial liabilities          | C3    | 137                        | 132                    |
| Derivative financial liabilities     |       | -                          | 1                      |
| Provisions                           |       | 88                         | 114                    |
| <b>Total current liabilities</b>     |       | <b>2,053</b>               | <b>1,825</b>           |
| <b>Non-current liabilities</b>       |       |                            |                        |
| Trade and other payables             |       | 4                          | 5                      |
| Other liabilities                    |       | 417                        | 371                    |
| Other financial liabilities          | C3    | 4,739                      | 4,280                  |
| Provisions                           |       | 50                         | 48                     |
| <b>Total non-current liabilities</b> |       | <b>5,210</b>               | <b>4,704</b>           |
| <b>Total liabilities</b>             |       | <b>7,263</b>               | <b>6,529</b>           |
| <b>Net assets</b>                    |       | <b>13,715</b>              | <b>12,023</b>          |
| <b>Equity</b>                        |       |                            |                        |
| Contributed equity                   | D1    | 23,805                     | 20,275                 |
| Other reserves                       |       | 7                          | 16                     |
| Accumulated losses                   |       | (10,097)                   | (8,268)                |
| <b>Total equity</b>                  |       | <b>13,715</b>              | <b>12,023</b>          |

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

# Statement of changes in equity

| nbn Group  |                           |                           |                       |                     |
|--|---------------------------|---------------------------|-----------------------|---------------------|
| Notes  | Accumulated losses<br>\$m | Contributed equity<br>\$m | Other reserves<br>\$m | Total equity<br>\$m |
| <b>Balance at 30 June 2015</b>                               | <b>(5,518)</b>            | <b>13,185</b>             | <b>41</b>             | <b>7,708</b>        |
| Loss for the period  | (1,239)                   | -                         | -                     | (1,239)             |
| Other comprehensive loss                                     | -                         | -                         | (17)                  | (17)                |
| <b>Total comprehensive loss for the period</b>               | <b>(1,239)</b>            | <b>-</b>                  | <b>(17)</b>           | <b>(1,256)</b>      |
| <b>Transactions with owners in their capacity as owners:</b> |                           |                           |                       |                     |
| Contributions of equity                                      | -                         | 3,200                     | -                     | 3,200               |
| <b>Balance at 31 December 2015</b>                           | <b>(6,757)</b>            | <b>16,385</b>             | <b>24</b>             | <b>9,652</b>        |
| <b>Balance at 30 June 2016</b>                               | <b>(8,268)</b>            | <b>20,275</b>             | <b>16</b>             | <b>12,023</b>       |
| Loss for the period  | (1,829)                   | -                         | -                     | (1,829)             |
| Other comprehensive loss                                     | -                         | -                         | (9)                   | (9)                 |
| <b>Total comprehensive loss for the period</b>               | <b>(1,829)</b>            | <b>-</b>                  | <b>(9)</b>            | <b>(1,838)</b>      |
| <b>Transactions with owners in their capacity as owners:</b> |                           |                           |                       |                     |
| Contributions of equity                                      | -                         | 3,530                     | -                     | 3,530               |
| D1   |                           |                           |                       |                     |
| <b>Balance at 31 December 2016</b>                           | <b>(10,097)</b>           | <b>23,805</b>             | <b>7</b>              | <b>13,715</b>       |

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

# Statement of cash flows

| For the six months ended  | Notes | nbn Group                  |                            |
|---|-------|----------------------------|----------------------------|
|   |       | 31 December<br>2016<br>\$m | 31 December<br>2015<br>\$m |
| <b>Cash flows from operating activities</b>                           |       |                            |                            |
| Receipts from customers   |       | 423                        | 175                        |
| Payments to suppliers and employees                                   |       | (1,305)                    | (844)                      |
| Interest received   |       | 15                         | 12                         |
| <b>Net cash used in operating activities</b>                          |       | <b>(867)</b>               | <b>(657)</b>               |
| <b>Cash flows from investing activities</b>                           |       |                            |                            |
| Receipts from held to maturity investments                            |       | 351                        | 305                        |
| Payments for held to maturity investments                             |       | (481)                      | (314)                      |
| Payments for property, plant and equipment                            |       | (2,489)                    | (2,049)                    |
| Payments for intangible assets  |       | (375)                      | (266)                      |
| <b>Net cash used in investing activities</b>                          |       | <b>(2,994)</b>             | <b>(2,324)</b>             |
| <b>Cash flows from financing activities</b>                           |       |                            |                            |
| Payments for finance leases and right of use licences                 |       | (144)                      | (166)                      |
| Equity injection for ordinary shares by the Commonwealth of Australia | D1    | 3,530                      | 3,200                      |
| <b>Net cash provided by financing activities</b>                      |       | <b>3,386</b>               | <b>3,034</b>               |
| <b>Net (decrease)/increase in cash and cash equivalents</b>           |       | <b>(475)</b>               | <b>53</b>                  |
| <b>Cash and cash equivalents at the beginning of the period</b>       |       | <b>1,287</b>               | <b>948</b>                 |
| <b>Cash and cash equivalents at the end of the period</b>             |       | <b>812</b>                 | <b>1,001</b>               |

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

# Notes to the financial statements

## A About this report

nbn co limited (the Company, **nbn** or the parent entity) is an unlisted public company incorporated and domiciled in Australia. It is a company limited by shares and is wholly-owned by the Commonwealth of Australia. The Half-Year Financial Report, comprising of the consolidated financial statements and notes to the consolidated financial statements, for the Half-Year ended 31 December 2016, includes the Company and its subsidiaries (together referred to as the **nbn** Group or the Group).

**nbn** is a for-profit entity for the purpose of preparing the Half-Year Financial Report.

### Basis of preparation

This non-statutory Half-Year Financial Report has been prepared in accordance with Australian Accounting Standards Board (AASB) 134 *Interim Financial Reporting*. The Half-Year Financial Report does not include notes of the type normally included in an Annual Financial Report and should be read in conjunction with the most recent Annual Financial Report for the year ended 30 June 2016.

This Half-Year Financial Report has been prepared on a going concern basis and in accordance with the historical cost convention and does not take into account changing money values or fair values of assets unless otherwise stated.

Cost is the fair value of the consideration given in exchange for net assets acquired.

The Company is incorporated under the *Corporations Act 2001* and is subject to (inter alia) the *National Broadband Network Companies Act 2011* and the *Public Governance, Performance and Accountability Act 2013* (PGPA Act).

The accounting policies have been consistently applied to all periods presented in these consolidated financial statements and are consistent with those outlined in the 2015-16 Annual Report, unless otherwise stated.

Comparative figures have been adjusted to conform to the presentation of the financial statements and notes for the current financial period where required.

### Going concern

The Directors are of the view that the Commonwealth Government will continue to operate in accordance with the Policy Objectives as set out in the Statement of Expectations as issued by the Shareholder Ministers to **nbn** on 24 August 2016.

The Group's current liabilities exceeded its current assets by \$389 million as at 31 December 2016. The Half-Year Financial Report has been prepared on a going concern basis, which contemplates the continuity of normal operations and the investment of the remaining committed equity funding from the Commonwealth Government under the terms of the Amending Agreement – Equity Funding Agreement (EFA) as well as the availability of the \$19.5 billion loan facility agreed with the Commonwealth Government on 22 December 2016.

At the date of signing the Half-Year Financial Report the combination of the remaining committed equity funding under the EFA with the Commonwealth Government and the debt funding that will be available from 1 July 2017 through the aforementioned loan facility is sufficient to meet the net cash flow forecasts of the Group for at least twelve months from the date of this report.

### Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Group's functional currency.

The Group is of a kind referred to in ASIC Corporation (Rounding in Financial/Directors' Reports) Instrument 2016/191 and in accordance with that Instrument, all financial information presented in Australian dollars has been rounded to the nearest million unless otherwise stated.

## Significant accounting estimates and judgements

In the process of applying the Group's accounting policies, management has made a number of judgements and applied estimates and assumptions to future events.

Estimates and judgements which are material to the financial report are consistent with those referred to on page 95 of the 2015-16 Annual Report.

These estimates have been consistently applied to all periods presented, unless otherwise stated.

## B Our revenue and income

This section provides the information that is most relevant to understanding our revenue and income during the period.

### B1 Revenue and income

| For the six months ended   | nbn Group               |                         |
|----------------------------|-------------------------|-------------------------|
|                            | 31 December 2016<br>\$m | 31 December 2015<br>\$m |
| Telecommunications revenue | 375                     | 159                     |
| Other revenue              | 28                      | 5                       |
| <b>Total</b>               | <b>403</b>              | <b>164</b>              |

| For the six months ended     | nbn Group               |                         |
|------------------------------|-------------------------|-------------------------|
|                              | 31 December 2016<br>\$m | 31 December 2015<br>\$m |
| Interest income              | 17                      | 13                      |
| Other income - gifted assets | 7                       | 5                       |
| <b>Total</b>                 | <b>24</b>               | <b>18</b>               |

## C Our assets and liabilities

This section provides information relating to our network and intangible assets and their related liabilities. nbn's network assets are primarily constructed assets or items of infrastructure acquired through finance lease arrangements.

### C1 Property, plant and equipment

|  | nbn Group               |   |                                      |                        |                          |               | Total<br>\$m |
|--|-------------------------|---|--------------------------------------|------------------------|--------------------------|---------------|--------------|
|  | Freehold<br>land<br>\$m | Buildings<br>and<br>leasehold<br>improve-<br>ments<br>\$m | Furniture<br>and<br>equipment<br>\$m | IT<br>equipment<br>\$m | Network<br>assets<br>\$m |               |              |
| <b>At 30 June 2016</b>                   |                         |   |                                      |                        |                          |               |              |
| Cost                                     | 13                      | 374   | 14                                   | 115                    | 16,299                   | 16,815        |              |
| Accumulated depreciation                 | -                       | (95)  | (10)                                 | (72)                   | (1,415)                  | (1,592)       |              |
| <b>Net book value</b>                    | <b>13</b>               | <b>279</b>  | <b>4</b>                             | <b>43</b>              | <b>14,884</b>            | <b>15,223</b> |              |
| <b>Period ended<br/>31 December 2016</b> |                         |   |                                      |                        |                          |               |              |
| Opening net book value                   | 13                      | 279   | 4                                    | 43                     | 14,884                   | 15,223        |              |
| Additions                                | -                       | 9   | -                                    | 11                     | 3,027                    | 3,047         |              |
| Depreciation                             | -                       | (15)  | -                                    | (8)                    | (502)                    | (525)         |              |
| Transfers                                | 4                       | -   | -                                    | (13)                   | 3                        | (6)           |              |
| <b>Net book value</b>                    | <b>17</b>               | <b>273</b>  | <b>4</b>                             | <b>33</b>              | <b>17,412</b>            | <b>17,739</b> |              |
| <b>At 31 December 2016</b>               |                         |   |                                      |                        |                          |               |              |
| Cost                                     | 17                      | 383   | 14                                   | 99                     | 19,332                   | 19,845        |              |
| Accumulated depreciation                 | -                       | (110)   | (10)                                 | (66)                   | (1,920)                  | (2,106)       |              |
| <b>Net book value</b>                    | <b>17</b>               | <b>273</b>  | <b>4</b>                             | <b>33</b>              | <b>17,412</b>            | <b>17,739</b> |              |

## C Our assets and liabilities (continued)

### C1 Property, plant and equipment (continued)

The net book value of property, plant and equipment is analysed as follows:

|   | nbn Group                  |                        |
|---|----------------------------|------------------------|
|   | 31 December<br>2016<br>\$m | 30 June<br>2016<br>\$m |
| Constructed and purchased assets                                | 9,100                      | 7,850                  |
| Assets in the course of construction                            | 4,000                      | 3,105                  |
| Leased assets   | 4,209                      | 3,886                  |
| Assets acquired for no consideration and under government grant | 430                        | 382                    |
| <b>Property, plant and equipment - net book value</b>           | <b>17,739</b>              | <b>15,223</b>          |

#### Assets in the course of construction

The carrying value of property, plant and equipment includes \$4,000 million (30 June 2016: \$3,105 million) of expenditure on assets which are in the course of construction. The majority of assets in the course of construction are network assets. As these assets have not been installed and are not ready for use, no depreciation is charged on these assets.

#### Non-current assets pledged as security

None of the non-current assets have been pledged as security by the Group.

## C2 Intangible assets

|  | nbn Group       |                 |              | Total<br>\$m |
|--|-----------------|-----------------|--------------|--------------|
|  | Software<br>\$m | Licences<br>\$m | Other<br>\$m |              |
| <b>At 30 June 2016</b>                   |                 |                 |              |              |
| Cost                                     | 1,813           | 158             | 12           | 1,983        |
| Accumulated amortisation                 | (517)           | (122)           | (10)         | (649)        |
| <b>Net book value</b>                    | <b>1,296</b>    | <b>36</b>       | <b>2</b>     | <b>1,334</b> |
| <b>Period ended<br/>31 December 2016</b> |                 |                 |              |              |
| Opening net book value                   | 1,296           | 36              | 2            | 1,334        |
| Additions                                | 307             | 2               | 12           | 321          |
| Amortisation                             | (131)           | (2)             | -            | (133)        |
| Transfers                                | 6               | -               | -            | 6            |
| <b>Net book value</b>                    | <b>1,478</b>    | <b>36</b>       | <b>14</b>    | <b>1,528</b> |
| <b>At 31 December 2016</b>               |                 |                 |              |              |
| Cost                                     | 2,134           | 160             | 27           | 2,321        |
| Accumulated amortisation                 | (656)           | (124)           | (13)         | (793)        |
| <b>Net book value</b>                    | <b>1,478</b>    | <b>36</b>       | <b>14</b>    | <b>1,528</b> |

### Assets in the course of construction

The carrying amount of intangible assets includes expenditure recognised on software assets which are in the course of construction. As these assets have not been installed and are not ready for use, no amortisation is charged on these assets. Total software assets in the course of construction are \$436 million (30 June 2016: \$390 million).

**C Our assets and liabilities** (continued)**C3 Other financial liabilities**

## Lease liabilities and right of use licences

|   | nbn Group                  |                        |
|---|----------------------------|------------------------|
|   | 31 December<br>2016<br>\$m | 30 June<br>2016<br>\$m |
| <b>Current</b>                              |                            |                        |
| Lease liabilities and right of use licences | 137                        | 132                    |
| <b>Total</b>                                | <b>137</b>                 | <b>132</b>             |

|   | nbn Group                  |                        |
|---|----------------------------|------------------------|
|   | 31 December<br>2016<br>\$m | 30 June<br>2016<br>\$m |
| <b>Non-current</b>                          |                            |                        |
| Lease liabilities and right of use licences | 4,739                      | 4,280                  |
| <b>Total</b>                                | <b>4,739</b>               | <b>4,280</b>           |

The majority of other financial liabilities relates to right of use licences to access Telstra's network infrastructure, including ducts, pits, exchange rack space and dark fibre. The terms of the right of use licences are governed by the Revised Definitive Agreements (RDAs) with Telstra. These right of use licences are accounted for as finance leases. The Group also leases industrial buildings under finance leases with various occupancy terms of up to 20 years.

|   | nbn Group                  |                        |
|---|----------------------------|------------------------|
|   | 31 December<br>2016<br>\$m | 30 June<br>2016<br>\$m |
| <b>Finance lease and right of use licences are payable as follows:</b>  |                            |                        |
| Within one year   | 530                        | 487                    |
| Later than one year but not later than five years                       | 1,713                      | 1,540                  |
| Later than five years   | 10,778                     | 9,881                  |
| <b>Minimum lease payments</b>   | <b>13,021</b>              | <b>11,908</b>          |
| Future finance charges  | (8,145)                    | (7,496)                |
| <b>Recognised as a liability</b>  | <b>4,876</b>               | <b>4,412</b>           |
| <b>Representing finance lease and right of use licence liabilities:</b> |                            |                        |
| Current   | 137                        | 132                    |
| Non-current   | 4,739                      | 4,280                  |
| <b>Total</b>  | <b>4,876</b>               | <b>4,412</b>           |

## D Our funding and capital management

On 22 June 2011, the Commonwealth and **nbn** entered into an Equity Funding Agreement, whereby the Commonwealth provided assurances to the Company in relation to the provision of equity funding until 30 June 2021 unless terminated earlier. The total funding pursuant to the agreement was initially capped at \$27.5 billion. This capital limit was subsequently increased to \$30.4 billion under an amendment entered into on 8 August 2012.

With effect from 19 March 2014, the Equity Funding Agreement was further amended to, inter alia, reduce the equity funding capital limit from \$30.4 billion to \$29.5 billion.

Under the 19 March 2014 Amending Agreement – Equity Funding Agreement (EFA), the Commonwealth has also committed to meet the termination and other costs attributable to such a termination of **nbn**, in the event the project is terminated or significantly reduced in scope.

As at 31 December 2016, \$23.8 billion of the total committed \$29.5 billion from the Commonwealth had been provided to **nbn** under the terms of the EFA.

As outlined in the 2017 Corporate Plan, following the investment of the current equity funding committed from the Australian Government, additional funding would be required to complete the rollout of the **nbn**<sup>TM</sup> network.

On 22 December 2016, a \$19.5 billion loan agreement with the Commonwealth Government was signed. The loan agreement sets out the terms of the commercial facility that will be available to **nbn** co limited for up to \$19.5 billion for the period from 1 July 2017 to 30 June 2021. The loan agreement has a fixed interest rate of 3.96 per cent, with interest payable monthly over the life of the facility. The full principal amount of the loan is to be repaid by 30 June 2021.

### D1 Contributed equity

As at 31 December 2016, a total of \$23.8 billion had been made available to the Company by the Commonwealth.

|                        | nbn co limited        |                       | nbn co limited   |               |
|------------------------|-----------------------|-----------------------|------------------|---------------|
|                        | 31 December 2016      | 30 June 2016          | 31 December 2016 | 30 June 2016  |
|                        | Number of shares      | Number of shares      | \$m              | \$m           |
| <b>Ordinary shares</b> |                       |                       |                  |               |
| Fully paid             | 23,805,445,092        | 20,275,445,092        | 23,805           | 20,275        |
| <b>Total</b>           | <b>23,805,445,092</b> | <b>20,275,445,092</b> | <b>23,805</b>    | <b>20,275</b> |

### Movements in ordinary share capital

|                                     | nbn co limited   |                |                     |
|-------------------------------------|------------------|----------------|---------------------|
|                                     | Number of shares | Issue price \$ | Value of shares \$m |
| Opening balance at 30 June 2016     | 20,275,445,092   | 1.00           | 20,275              |
| Equity injections                   | 3,530,000,000    | 1.00           | 3,530               |
| Closing balance at 31 December 2016 | 23,805,445,092   | 1.00           | 23,805              |

## E Our significant contractual arrangements and commitments

**nbn** has entered into a number of contracts that will underpin the delivery of the **nbn**<sup>TM</sup> network. In addition to entering into contractual arrangements with Delivery Partners for the build of the network, **nbn** has entered into strategic agreements with Telstra and SingTel Optus (Optus). These strategic agreements are essential to **nbn** in regard to its ability to achieve its short and long-term objectives.

**nbn**'s significant contractual arrangements are stated within pages 114–115 of the 2015–16 Annual Report and have not significantly changed from 30 June 2016.

### E1 Commitments

#### Capital commitments

Total capital expenditure contracted for at the reporting date but not provided for in the Statement of financial position is as follows:

|   | nbn Group               |                     |
|---|-------------------------|---------------------|
|   | 31 December 2016<br>\$m | 30 June 2016<br>\$m |
| Within one year                                   | 2,938                   | 2,551               |
| Later than one year but not later than five years | 1,952                   | 2,064               |
| Later than five years                             | 2,946                   | 3,182               |
| <b>Total capital commitments</b>                  | <b>7,836</b>            | <b>7,797</b>        |

Capital commitments include committed right of use and infrastructure ownership payments under the RDAs with Telstra, fixed term commercial contracts and other ordered capital expenditure.

Given the long-term nature of **nbn**'s capital commitments under the RDAs, which include right of use payments that will occur until 2047 and scheduled infrastructure ownership payments throughout the rollout period, capital expenditure commitments relating to the RDAs in periods beyond 12 months have been discounted for the purpose of the disclosure above.

Other capital commitments beyond 12 months have also been discounted. Payments to Telstra in exchange for Telstra disconnecting premises from its copper and HFC networks are excluded from the disclosure above as the payments do not constitute capital expenditure.

## E1 Commitments *(continued)*

### Operating leases

The Group leases certain properties, commercial vehicles and wireless base stations with various terms that are due to expire within one to twenty years. Lease payments generally comprise a base amount plus an incremental contingent rental based on movements in the Consumer Price Index and reviews to market-based levels.

|   | nbn Group                  |                        |
|---|----------------------------|------------------------|
|   | 31 December<br>2016<br>\$m | 30 June<br>2016<br>\$m |
| <b>Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:</b> |                            |                        |
| Within one year   | 89                         | 69                     |
| Later than one year but not later than five years   | 160                        | 142                    |
| Later than five years   | 376                        | 335                    |
| <b>Total</b>  | <b>625</b>                 | <b>546</b>             |

Not included in the above commitments are contingent rental payments which may arise. Furthermore, operating lease commitments have not been discounted.

## F Other information

This section provides information on further disclosures required by the Australian Accounting Standards and the *Corporations Act 2001*.

### F1 Contingent liabilities

The detail of nbn's significant contingent liabilities are set out on page 130 of the 2015-16 Annual Report. There have been no significant changes to these contingent liabilities during the period.

### F2 Related party transactions

#### Parent entity

The parent entity within the Group is nbn co limited. The ultimate parent entity and ultimate controlling entity is the Commonwealth of Australia.

#### Subsidiaries

The interest in the subsidiaries is set out on page 126 of the 2015-16 Annual Report. There were no acquisitions or disposals in the period.

#### Transactions with related parties

The following transactions occurred with related parties:

|  | Note | nbn Group              |                        |
|--|------|------------------------|------------------------|
|  |      | 31 December 2016<br>\$ | 31 December 2015<br>\$ |
| <b>Equity injections</b>   |      |                        |                        |
| Equity injected by the Commonwealth of Australia into nbn co limited | D1   | 3,530,000,000          | 3,200,000,000          |

#### Other directors' interests

During the period, nbn executed an agreement with NetComm Wireless Ltd, for the supply of Distribution Point Units (DPUs) in the FTTC network. Mr Justin Milne is the Chairman of NetComm Wireless Ltd.

Mr Milne recused himself from the Board meeting for the period of time whereby the Directors approved the award of the contract.

## F3 Fair value measurement of financial instruments

The Group uses the following fair value hierarchy for determining and disclosing the fair value of financial instruments.

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

### Fair value of derivative assets and liabilities

The Group's derivative financial assets and liabilities are the only assets and liabilities carried at fair value in the Statement of financial position. The fair value of these instruments is determined using valuation techniques with observable market data, categorised as "level 2".

The fair value of derivatives used for hedging is determined using forward exchange rates at the reporting dates.

There has been no transfer between hierarchy levels during the period.

### Fair value of other financial instruments

The Group has a number of financial instruments which are not measured at fair value in the Statement of financial position. Their carrying amounts are materially consistent with their fair value as at the reporting date.

## F4 Other significant accounting policies

### New standards and interpretations available for early adoption

Certain new accounting standards, amendments to existing standards and interpretations have been published that are not mandatory for the 31 December 2016 reporting period.

These standards, amendments to existing standards and interpretations have not been early adopted by the Group.

The Directors have not fully assessed the impact of these new and amended standards and interpretations (to the extent that they are relevant to the Group). Unless otherwise stated, it is not expected these amendments will materially impact the consolidated financial statements of the Group.

A summary of these new standards, amendments to existing standards and interpretations that may have an impact is set out herein.

### *AASB 9 Financial Instruments*

The AASB has issued the complete AASB 9. The new standard includes revised guidance on the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment, and supplements the new general hedge accounting requirements previously published. It supersedes AASB 9 (issued in December 2009 – as amended) and AASB 9 (issued in December 2010 – as amended).

The standard will impact the annual reporting period commencing 1 July 2018.

### *AASB 15 Revenue from Contracts with Customers and AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15*

The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The standard will impact the annual reporting period commencing 1 July 2018.

## **F** Other information (continued)

### **F4 Other significant accounting policies** (continued)

#### **AASB 16 Leases**

AASB 16 removes the classification of leases as either operating leases or finance leases for the lessee – effectively treating all leases as finance leases. Short-term leases (less than 12 months) and leases of low value assets (such as personal computers) are exempt from the lease accounting requirements.

There are also changes in accounting over the life of the lease. In particular, companies will now recognise a front-loaded pattern of expense for most leases, even when they pay constant annual rentals.

Lessor accounting remains similar to the current practice – i.e. lessors continue to classify leases as finance and operating leases.

The standard will impact the annual reporting period commencing 1 July 2019, and may materially impact the financial statements of the consolidated Group. However, a full assessment of the impact is yet to be completed.

#### **AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107**

Additional disclosures to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as effects of changes in foreign exchange rates and changes in fair values). The amendments will impact the annual reporting period commencing 1 July 2017.

## **G** Events occurring after the reporting period

On 31 January 2017, **nbn** received \$850 million in equity funding from the Commonwealth Government.

Other than the receipt of additional equity funding from the Commonwealth Government, no matter or circumstance has arisen since 31 December 2016 to the date of signing of this report that has significantly affected, or may affect:

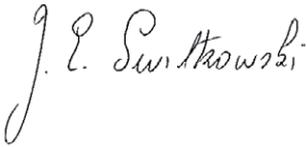
- The Group's operations in future financial years;
- The results of those operations in future financial years; and
- The Group's state of affairs in future financial years.

# Directors' declaration

- (1) These non-statutory Half-Year financial statements and notes set out on pages 38 to 54 are in accordance with AASB 134 *Interim Financial Reporting*, the *Corporations Act 2001* and the *Public Governance, Performance and Accountability Act 2013*, giving a true and fair view of the **nbn** Group's financial position as at 31 December 2016 and of its performance for the Half-Year ended on that date; and
- (2) There are reasonable grounds to believe that the **nbn** Group will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.

Signed in accordance with a resolution of the Directors.



**Dr Ziggy Switkowski AO**  
Chairman



**Mr Bill Morrow**  
Chief Executive Officer

7 February 2017

# Independent auditor's review report



Auditor-General for Australia



## Independent Auditor's Review Report

*To the members of nbn co limited*

I have reviewed the accompanying half-year financial report of nbn co limited, which comprises the Statement of financial position as at 31 December 2016, the Statement of profit or loss and other comprehensive income, Statement of changes in equity and Statement of cash flows for the half-year ended on that date, Notes to the financial statements comprising a summary of significant accounting policies and other explanatory notes, and the Directors' Declaration for the **nbn** Group. The **nbn** Group comprises nbn co limited and the entities it controlled at 31 December 2016 or from time to time during that half-year.

### **Conclusion**

Based on my review, which is not an audit, nothing has come to my attention that causes me to believe that the half-year financial report of nbn co limited does not give a true and fair view of the financial position of the **nbn** Group as at 31 December 2016 and its financial performance for the half-year ended on that date, in accordance with Accounting Standard AASB 134 *Interim Financial Reporting*.

### **Directors' responsibility for the half-year financial report**

The Directors of nbn co limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* 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**

My responsibility is to express a conclusion on the half-year financial report based on my review. I conducted my review in accordance with the Australian National Audit Office Auditing Standards which incorporate the Australian 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, anything has come to my attention that causes me to believe that the financial report does not give a true and fair view of **nbn** Group's financial position as at 31 December 2016 and its performance for the half-year ended on that date in accordance with Accounting Standard AASB 134 *Interim Financial Reporting*. As the auditor of nbn co limited, ASRE 2410 requires that I 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 me to obtain assurance that I would become aware of all significant matters that might be identified in an audit. Accordingly, I do not express an audit opinion.

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Email [grant.hehir@anao.gov.au](mailto:grant.hehir@anao.gov.au)

***Independence***

In conducting my review, I have followed the independence requirements of the Australian National Audit Office, which incorporate the requirements of the Australian accounting profession.

Australian National Audit Office



Grant Hehir  
Auditor-General

Canberra  
7 February 2017

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