



Financial Report

The Financial Report, comprising the financial statements, Notes to the financial statements and a Directors' declaration, for the year ended 30 June 2022.



Statement of profit or loss and other comprehensive income

		NBN Co	
For the year ended	Notes	30 June 2022 \$m	30 June 2021 \$m
Revenue	B1	5,103	4,629
Other income	B2	73	24
Direct network costs		(730)	(666)
Employee benefits expenses	D1	(647)	(829)
Other operating expenses	B3	(480)	(553)
Subscriber costs		(175)	(1,226)
Depreciation and amortisation expense	C3 & C4	(3,541)	(3,596)
Net finance costs	C9	(1,470)	(1,621)
Loss before income tax		(1,867)	(3,838)
Income tax benefit	H1	399	1
Loss for the year		(1,468)	(3,837)
Loss attributable to the shareholder		(1,468)	(3,837)
Other comprehensive gain/(loss)			
<i>Items that may be reclassified to profit or loss</i>			
Changes in the fair value of cash flow hedges, net of tax	E2	905	(5)
Changes in the value of costs of hedging, net of tax	E2	24	2
Total other comprehensive gain/(loss) for the year, net of tax		929	(3)
Total comprehensive loss for the year		(539)	(3,840)
Total comprehensive loss attributable to the shareholder		(539)	(3,840)

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

Statement of financial position

As at	Notes	NBN Co	
		30 June 2022 \$m	30 June 2021 \$m
Current assets			
Cash and cash equivalents	C1	113	1
Trade and other receivables	C2	503	450
Derivative financial assets	G	28	9
Other current assets		119	69
Total current assets		763	529
Non-current assets			
Property, plant and equipment	C3	32,868	33,130
Intangible assets	C4	1,755	1,943
Derivative financial assets	G	1,377	127
Other non-current assets		14	9
Total non-current assets		36,014	35,209
Total assets		36,777	35,738
Current liabilities			
Trade and other payables	C6	1,577	1,641
Other liabilities	C7	128	31
Derivative financial liabilities	G	14	2
Lease liabilities	C8	440	476
Borrowings	C9	72	18
Provisions	C10	162	209
Total current liabilities		2,393	2,377
Non-current liabilities			
Trade and other payables	C6	19	6
Other liabilities	C7	1,407	878
Derivative financial liabilities	G	155	14
Lease liabilities	C8	10,511	10,343
Borrowings	C9	18,132	10,600
Provisions	C10	64	60
Related party borrowings	C9 & H3	6,375	13,200
Total non-current liabilities		36,663	35,101
Total liabilities		39,056	37,478
Net liabilities		(2,279)	(1,740)
Equity			
Contributed equity	E1	29,500	29,500
Other reserves	E2	935	6
Accumulated losses		(32,714)	(31,246)
Total equity		(2,279)	(1,740)

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

Statement of changes in equity

	NBN Co			
	Accumulated losses \$m	Contributed equity \$m	Other reserves \$m	Total equity \$m
Balance at 30 June 2020	(27,409)	29,500	9	2,100
Loss for the year	(3,837)	-	-	(3,837)
Other comprehensive loss	-	-	(3)	(3)
Total comprehensive loss for the year	(3,837)	-	(3)	(3,840)
Balance at 30 June 2021	(31,246)	29,500	6	(1,740)
Loss for the year	(1,468)	-	-	(1,468)
Other comprehensive gain	-	-	929	929
Total comprehensive (loss)/gain for the year	(1,468)	-	929	(539)
Balance at 30 June 2022	(32,714)	29,500	935	(2,279)

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

Statement of cash flows

		NBN Co	
For the year ended	Notes	30 June 2022 \$m	30 June 2021 \$m
Cash flows from operating activities			
Receipts from customers		5,650	5,076
Payments to suppliers and employees		(2,829)	(3,847)
Government grants received		547	4
Interest received		1	1
Net cash provided by operating activities	C1	3,369	1,234
Cash flows from investing activities			
Payments for property, plant and equipment		(2,308)	(2,883)
Payments for intangible assets		(310)	(257)
Net cash used in investing activities		(2,618)	(3,140)
Cash flows from financing activities			
Principal repayment of lease liabilities		(186)	(169)
Interest paid on lease liabilities		(838)	(743)
Proceeds from borrowings (net of costs)	C9	9,981	10,943
Repayment of borrowings and other financial liabilities	C9	(2,231)	(1,460)
Proceeds from related party borrowings		-	42
Repayment of related party borrowings	H3	(6,825)	(6,300)
Interest paid on borrowings and other financial liabilities	C9	(204)	(59)
Interest paid on related party borrowings	C9	(336)	(691)
Net cash (used in)/provided by financing activities		(639)	1,563
Net increase/(decrease) in cash and cash equivalents		112	(343)
Cash and cash equivalents at the beginning of the year		1	344
Cash and cash equivalents at the end of the year	C1	113	1

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

Notes to the financial statements

A.	About this report	135
B.	Our revenue and other operating expenses	137
B1.	Revenue	137
B2.	Other income	139
B3.	Other operating expenses	139
C.	Our assets and liabilities	140
C1.	Cash and cash equivalents	140
C2.	Trade and other receivables	141
C3.	Property, plant and equipment	142
C4.	Intangible assets	146
C5.	Impairment of non-financial assets	148
C6.	Trade and other payables	149
C7.	Other liabilities	149
C8.	Lease liabilities	150
C9.	Borrowings and other financial liabilities	153
C10.	Provisions	157
D.	Our people	158
D1.	Employee benefits expenses	158
D2.	Key management personnel	159
E.	Our equity	160
E1.	Contributed equity	160
E2.	Other reserves	161
F.	Our significant contractual arrangements and commitments	162
F1.	Telstra Revised Definitive Agreements	162
F2.	Optus HFC Subscriber Agreement	163
F3.	Commitments	164
G.	Our financial risk management	165
H.	Other financial information	176
H1.	Income tax expense	176
H2.	Contingent assets and contingent liabilities	177
H3.	Related party transactions	178
H4.	Remuneration of auditors	180
H5.	Other significant accounting policies	181
I.	Events occurring after the reporting period	184

A. About this report

NBN Co Limited (NBN Co or the Company) 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 Financial Report is comprised of the financial statements, Notes to the financial statements and a Directors' declaration, for the year ended 30 June 2022. The prior year comparatives include the Company and its subsidiaries it controlled for a portion of the year (together referred to as the NBN Co Group or the Group).

NBN Co is a for-profit entity for the purpose of preparing the Financial Report.

Basis of preparation

This general purpose Financial Report has been prepared in accordance with:

1. Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB)
2. the *Corporations Act 2001* (Cth)
3. the *Public Governance, Performance and Accountability Act 2013* (Cth) (PGPA Act).

The financial statements comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The 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.

The Company is incorporated under the *Corporations Act 2001* (Cth) and is subject to (inter alia) the *National Broadband Network Companies Act 2011* (Cth) and the PGPA Act.

Going concern

The Directors are of the view and the financial statements have been prepared on the basis 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 Co on 26 August 2021 and in accordance with subsequent written instructions

from NBN Co's Shareholder Ministers, with this factor being the primary consideration in assessing the going concern assumption.

As at 30 June 2022, the Company's current liabilities exceeded its current assets by \$1,630 million and the Company has net liabilities of \$2,279 million. These metrics are in line with expectations given the significant upfront investment in the network in advance of the Company generating free cash flows. The Company's performance in financial year 2022 resulted in NBN Co achieving the stated financial targets as outlined in its 2022 Corporate Plan.

NBN Co funds its business through a combination of \$29.5 billion equity from the Commonwealth Government and debt funding from the Commonwealth Government and domestic and international markets.

To fund its future strategy, NBN Co has been transacting with the private debt, domestic and international capital markets and secured investment grade credit ratings. These ratings have assisted the Company to successfully access the global debt capital markets as it progresses its financing strategy.

As at 30 June 2022, NBN Co has raised in excess of \$21.1 billion in domestic and international debt. The details of the transactions are disclosed in Note C9.

During the year, the Company has used bank and capital market debt to repay \$6.8 billion of the Commonwealth loan. As at 30 June 2022, the remaining balance of the Commonwealth loan is \$6.4 billion, which is due to mature in June 2024.

In order to finance the repayment of the Commonwealth loan and to execute the strategic initiatives outlined in its 2022 Corporate Plan, NBN Co is planning to continue raising additional bank and capital markets debt.

Going forward, NBN Co will look to raise further debt from the domestic and global capital markets. NBN Co expects its financing strategy to be achievable based on its investment grade credit rating and the outcomes of recent financing transactions.

A. About this report continued

Going concern continued

Notwithstanding the primary consideration in the going concern assessment as outlined above, at the date of signing the Financial Report, it is expected that the remaining undrawn components of the bank facilities of \$2,775 million and the expected outcomes of the Company's future financing activities will enable the Company to meet its net cash flow forecasts for at least twelve months from the date of this report.

Functional and presentation currency

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

Rounding of amounts

The Company is of a kind referred to in ASIC Corporations (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.

Comparative figures

Certain reclassifications have been made to comparative balances to conform with the current year presentation.

Significant accounting policies

Accounting policies are selected and applied in a manner that ensures the resulting financial information satisfies the concepts of relevance and reliability. Except where otherwise stated, the Company has consistently applied the accounting policies to all periods presented in these financial statements.

Significant accounting policies are contained in the Notes to the financial statements to which they relate and Note H5.

Operating segment reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses, for which discrete financial information is available and whose operating results are regularly reviewed by the entity's chief operating decision maker (CODM) to allocate resources and assess the entity's performance.

NBN Co's Chief Executive Officer (CEO) has been identified as the CODM. NBN Co has determined that it operates in a single segment providing wholesale broadband services across Australia.

All NBN Co's operations are provided in Australia, therefore no geographic information is disclosed.

Significant accounting estimates and judgements

In the process of applying the Company's accounting policies, management has made a number of judgements and applied estimates and assumptions to future events. In determining significant accounting estimates and judgements the Company has considered changes in economic circumstances, climate change impacts, regulatory changes, government policies, business plans and strategies, expected level of usage, and future technological developments impacting specific assets or groups of assets.

Estimates and judgements which are material or have the potential to be material to the Financial Report are found in the following notes.

Accounting estimates and judgements

Determination of useful lives of property, plant and equipment	C3
Determination of useful lives of intangible assets	C4
Assessment of indicators of impairment	C5
Determination of whether a contract contains a lease	C8
Determination of the net present value of a lease	C8
Determination of lease term	C8
Determination of the fair value of derivative assets and liabilities	G

B. Our revenue and other operating expenses

This section provides information that is most relevant to understanding our revenue and other operating expenditure during the year.

B1. Revenue

NBN Co generates revenue primarily from the provision of telecommunications services to its customers. Other sources of revenue include new development fees, lease and license fees and commercial works activities.

Revenue from contracts with customers

For the year ended	NBN Co	
	30 June 2022 \$m	30 June 2021 \$m
Telecommunications revenue	5,004	4,448
Other revenue	99	181
Total revenue	5,103	4,629

Telecommunications revenue

Telecommunications services are facilitated through contracting with Retail Service Providers (RSPs) under the Wholesale Broadband Agreement (WBA). The revenue from the provision of telecommunications services includes recurring wholesale-only broadband network revenue and recurring facility access services revenue. There are also non-recurring revenues in the form of ancillary and service charges. Pricing for the various product offerings is set out in the WBA. The WBA also contains discounts and rebates that are available to all RSPs on an equal basis.

For telecommunications revenue, NBN Co recognises revenue for the amount to which it has a right to invoice and/or when the respective performance obligations have been completed.

Recurring telecommunications revenues

Broadband network services relate to the provision of NBN Co's wholesale broadband products to RSPs which are then sold to customers. The performance obligations associated with these products are satisfied over time. NBN Co transfers control of these products to the RSPs evenly over the period, during which the RSPs are able to obtain value from NBN Co's products. Accordingly, these revenues are recognised over time. The Company invoices the RSPs on a monthly basis, with standard short-term payment terms and therefore no financing component exists. Applicable credits and rebates are recognised as a reduction to the transaction price during the period to which they relate.

Non-recurring telecommunications revenues

Telecommunications revenue includes non-recurring, non-refundable upfront fees for connection charges, installation charges, service transfers and RSP end-user contributions to connect new developments. Upfront fees will be recognised at the point in time when these services are provided as there are no further performance obligations associated with these activities.

B. Our revenue and other operating expenses continued

B1. Revenue continued

Other revenue

NBN Co generates other non-telecommunications revenue from construction and lease activity via separate contractual arrangements. The construction contracts include commercial works, technology choice, new development fees and co-investment partnerships with federal and state governments. Invoices are on standard short-term payment terms and therefore no financing component exists.

Commercial works are construction-type contracts based on requests from customers for NBN Co to relocate cables and network equipment, while technology choice revenues relate to application, design and construction fees from customers who opt for alternative technologies other than those being offered at their premise. New development fees represent consideration for the deployment of infrastructure and backhaul construction received from property developers.

For construction-type contracts, NBN Co recognises revenue on a point in time basis, with the performance obligation considered satisfied when the construction activity is completed.

NBN Co also earns non-telecommunications revenue through the licence of copper and HFC access to Telstra. Under the Revised Definitive Agreements (RDAs), NBN Co progressively takes ownership of elements of Telstra's copper and HFC networks. NBN Co assures and maintains these copper and HFC network elements and provides a licence back to Telstra for the right to access the **nbn**[®] network and deliver legacy services during the co-existence period. NBN Co charges Telstra recurring licence fees, which are billed quarterly, and one-off upfront fees where Telstra orders new licenses from NBN Co.

Recurring licence fees paid in advance each quarter are deferred and recognised to revenue on a straight-line basis over the quarter they relate to, as this is the period that NBN Co satisfies the performance obligation.

Further disaggregation of revenue by timing

The Company has not provided further disaggregation of revenue based upon the timing of recognition (i.e. whether products are transferred at a point in time or over time) as the revenue transferred at a point in time is not material.

Significant customers

The Company offers equivalent terms to all its Retail Service Providers (RSPs). NBN Co's top five customers as at 30 June 2022 were Telstra, TPG Group, Optus, Vocus, and Aussie Broadband. These five RSPs contributed approximately 94% of NBN Co's total telecommunications revenue (2021: 96%).

Assets and liabilities related to contracts with customers

NBN Co has recognised the following assets and liabilities related to contracts with customers:

		NBN Co	
	Notes	30 June 2022 \$m	30 June 2021 \$m
Trade receivables	C2	467	428
Accrued revenue		12	13
Contract liabilities	C6	199	128

Contract liabilities for deferred revenue are recorded for performance obligations under contracts for which payment has been received in advance. Contract liabilities unwind as "revenue from contracts with customers" upon satisfaction of the performance obligations under the terms of the contract.

NBN Co applies the practical expedient in paragraph 121 of AASB 15 *Revenue from Contracts with Customers* and does not disclose information about remaining performance obligations that have durations of one year or less. Significant changes in the contract liabilities balances during the year are as follows:

	NBN Co	
	30 June 2022 \$m	30 June 2021 \$m
Balance at 1 July	128	120
Revenue recognised that was included in the contract liability balance at the beginning of the year	(81)	(96)
Increases due to cash received, excluding amounts recognised as revenue during the year	152	104
Balance at 30 June	199	128

Revenue recognition policy

Revenue is measured based upon the consideration specified within a contract with a customer and recognised as the Company transfers control over an asset or service to a customer. The Company follows the five-step approach outlined in AASB 15 *Revenue from Contracts with Customers*.

B2. Other income

	NBN Co	
	30 June 2022 \$m	30 June 2021 \$m
For the year ended		
Other operating income	43	-
Other non-operating income	30	24
Total other income	73	24

Recognition and measurement

Other operating income

NBN Co recognises other operating income in relation to various government grants, including the Regional Broadband Scheme Levy. Government grants are recognised in profit or loss on a systematic basis over the periods in which the entity recognises expenditure for which the grants are intended to compensate.

Government grants which are received in advance of NBN Co incurring the related expenditure are recognised in the Statement of financial position as a deferred gain when the grant is received (refer to Note C7).

Other non-operating income

Other non-operating income relates to assets received for no consideration from developers as part of the construction of the **nbn**[®] network in new development areas and from government entities in the form of a grant. These assets are recorded at fair value and the resulting gain is credited to deferred income (refer to Note C7). The gain is released to profit or loss on a straight line basis, over the period the asset is expected to provide services, which is the estimated useful life of the assets.

B3. Other operating expenses

	NBN Co	
	30 June 2022 \$m	30 June 2021 \$m
For the year ended		
IT and software expenses	(196)	(205)
Communication and public information expenses	(47)	(88)
Other operating expenditure	(237)	(260)
Total	(480)	(553)

C. Our assets and liabilities

This section provides information relating to NBN Co's financial, tangible and intangible assets and their related liabilities. NBN Co's tangible assets are primarily constructed assets or items of infrastructure acquired through finance lease arrangements.

C1. Cash and cash equivalents

	NBN Co	
	30 June 2022 \$m	30 June 2021 \$m
Cash at bank	113	1
Total	113	1

For the purpose of presentation in the Statement of cash flows, cash and cash equivalents includes cash on hand and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the Statement of financial position.

Restricted cash

The cash and cash equivalents disclosed in the Statement of financial position and the Statement of cash flows include \$94 million (2021: nil) held by the Company which is subject to contractual restrictions and therefore not available for general use.

Reconciliation of loss for the year to net cash used in operating activities

	NBN Co	
	30 June 2022 \$m	30 June 2021 \$m
For the year ended		
Loss for the year	(1,468)	(3,837)
Add/(less) non-cash/non-operating items		
Depreciation and amortisation	3,541	3,596
Finance charges	1,476	1,634
Other items	(51)	(43)
Income tax benefit	(399)	(1)
(Increase)/decrease in operating assets		
Decrease in trade and other receivables	20	62
(Increase)/decrease in other assets	(55)	82
Increase/(decrease) in operating liabilities		
Decrease in trade and other payables	(118)	(262)
Increase in other liabilities	480	-
(Decrease)/increase in provisions	(57)	3
Net cash provided by operating activities	3,369	1,234

C2. Trade and other receivables

	NBN Co	
	30 June 2022 \$m	30 June 2021 \$m
Current		
Trade receivables	467	428
Other receivables	36	22
Total	503	450

Recognition and measurement

Trade and other receivables are considered financial assets. They are initially recorded at the fair value of the amounts to be received and are subsequently measured at amortised cost using the effective interest method. These financial assets are derecognised when the rights to receive cash flows from the financial assets have expired.

For trade receivables, the Company applies a simplified approach in calculating Expected Credit Losses (ECLs). Therefore, the Company does not track changes in credit risk at an individual counterparty level, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. Further information about the Company's accounting policy for impairment of financial assets, which includes trade and other receivables, is included in Note H5.

There have been no material impairment losses. The Company did not have any material receivables that were past due or impaired at 30 June 2022 (2021: nil).

C. Our assets and liabilities continued

C3. Property, plant and equipment

	NBN Co					
	Land \$m	Buildings and leasehold improve- ments \$m	Furniture and equipment \$m	IT equipment \$m	Network assets \$m	Total \$m
At 30 June 2020						
Cost	36	458	45	195	42,512	43,246
Accumulated depreciation	(2)	(180)	(29)	(151)	(9,146)	(9,508)
Net book value	34	278	16	44	33,366	33,738
Year ended 30 June 2021						
Opening net book value	34	278	16	44	33,366	33,738
Additions ¹	-	14	8	48	2,428	2,498
Reclassification	-	(29)	-	-	29	-
Depreciation	(1)	(72)	(10)	(21)	(3,002)	(3,106)
Net book value	33	191	14	71	32,821	33,130
At 30 June 2021						
Cost	36	426	47	243	44,969	45,721
Accumulated depreciation	(3)	(235)	(33)	(172)	(12,148)	(12,591)
Net book value	33	191	14	71	32,821	33,130
Year ended 30 June 2022						
Opening net book value	33	191	14	71	32,821	33,130
Additions ¹	-	16	6	-	2,776	2,798
Reclassification	-	(8)	-	-	8	-
Disposals	-	-	-	(1)	(2)	(3)
Depreciation	(2)	(61)	(9)	(19)	(2,966)	(3,057)
Net book value	31	138	11	51	32,637	32,868
At 30 June 2022						
Cost	36	428	50	242	47,751	48,507
Accumulated depreciation	(5)	(290)	(39)	(191)	(15,114)	(15,639)
Net book value	31	138	11	51	32,637	32,868

1. The additions balance includes the recognition of newly acquired right-of-use assets and the impact of the remeasurement of existing right-of-use assets.

Property, plant and equipment at net book value is analysed as follows:

	NBN Co	
	30 June 2022 \$m	30 June 2021 \$m
Constructed and purchased assets	22,708	23,387
Assets in the course of construction	1,169	796
Right-of-use assets	7,937	8,042
Assets acquired for no consideration and under government grant	1,054	905
Property, plant and equipment - net book value	32,868	33,130

Assets 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.

Right-of-use assets

Right-of-use assets	NBN Co					
	Land \$m	Buildings and leasehold improve- ments \$m	Furniture and equipment \$m	Network assets \$m	Licences \$m	Total \$m
Balance at 1 July 2021	16	150	10	7,866	61	8,103
Additions	-	1	4	44	-	49
Remeasurement	-	2	-	251	-	253
Disposals	-	-	-	(2)	-	(2)
Depreciation	(2)	(54)	(7)	(342)	(8)	(413)
Net book value at 30 June 2022	14	99	7	7,817	53	7,990

Assets acquired for no consideration and under government grant

Included within network assets are assets acquired from developers for no consideration and an indefeasible right-of-use arrangement with the Department of Infrastructure, Transport, Regional Development and Communications to use certain Regional Backbone Blackspots Program assets for no consideration (refer to Note C7 for more detail).

C. Our assets and liabilities continued

C3. Property, plant and equipment continued

Non-current assets pledged as security

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

Recognition and measurement

Property, plant and equipment are stated at historical cost less accumulated depreciation.

NBN Co's costs include expenditures that are directly attributable to the acquisition of the asset, including the costs of materials and direct labour and initial estimates of the costs of dismantling and removing an asset and restoring the site on which it is located. The Company does not consider that it has any qualifying assets and therefore does not currently capitalise any borrowing costs.

Costs that are not directly attributable are recorded as an expense in profit or loss.

Assets under construction are recorded at cost based on the estimated percentage of completion. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All repairs and maintenance costs are charged to profit or loss during the reporting period in which they are incurred.

Depreciation on network and non-network assets commences when they are installed and ready for use, otherwise termed as 'in service'. Buildings are depreciated from the date of acquisition. Land, other than that held by way of right-of-use assets, is not depreciated.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received;
- Any initial direct costs; and
- Restoration costs.

The right-of-use asset is depreciated on a straight-line basis over the shorter of the asset's useful life and the lease term. Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liability.

Depreciation on assets is calculated using the straight-line method to allocate the cost, net of residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased network and other assets, the shorter of the lease term or useful life.

During the financial year ended 30 June 2021, NBN Co revised the useful lives of certain network assets. This resulted from updated estimates over the expected period of use for these asset categories which were identified as part of the prior period annual useful life review. The net financial impact of these revised useful lives was a decrease in depreciation expense of \$353 million for the year ended 30 June 2021.

The Company has assessed the current useful lives of assets as follows:

Asset type	Useful lives
Network assets	Lower of lease term and/or 5–40 years
Buildings	Lower of lease term and/or 50 years
Leasehold improvements	Lower of lease term and/or 5–35 years
Furniture and equipment	3–10 years
IT equipment	3–5 years

Residual values and useful lives are reviewed and adjusted if appropriate, at each reporting date.

Gain or loss on disposal is determined by comparing the proceeds with the carrying amount of the asset. Any gain or loss on disposal is recognised in profit or loss.

Key estimates and judgements

Determination of useful lives of property, plant and equipment

The estimation of useful lives, residual value and depreciation methods requires significant judgement and are reviewed at each reporting date. If they need to be modified, the depreciation expense is accounted for prospectively from the date of reassessment until the end of the revised useful life (for both the current and future periods). Such revisions are generally required when there are changes in economic circumstances, climate risk impacts, regulatory changes, government policies, business plans and strategies, expected level of usage, and future technological developments impacting specific assets or groups of assets. It is possible that future results of operations could be materially affected by changes in these estimates.

Significant non-cash components

Acquisition of assets by means of non-cash transactions represents those assets acquired via right-of-use arrangements or contributed for no consideration.

	NBN Co	
	30 June 2022 \$m	30 June 2021 \$m
Acquisition of assets by means of right-of-use arrangements	49	154
Acquisition of network infrastructure by means of developer contributions and government grants	179	54
Acquisition of assets by non-cash transactions	228	208

C. Our assets and liabilities continued

C4. Intangible assets

	NBN Co			
	Software \$m	Licenses \$m	Other \$m	Total \$m
At 30 June 2020				
Cost	3,883	175	172	4,230
Accumulated amortisation	(1,917)	(141)	(79)	(2,137)
Net book value	1,966	34	93	2,093
Year ended 30 June 2021				
Opening net book value	1,966	34	93	2,093
Additions	261	63	16	340
Amortisation	(449)	(7)	(34)	(490)
Net book value	1,778	90	75	1,943
At 30 June 2021				
Cost	4,144	238	188	4,570
Accumulated amortisation	(2,366)	(148)	(113)	(2,627)
Net book value	1,778	90	75	1,943
Year ended 30 June 2022				
Opening net book value	1,778	90	75	1,943
Additions	284	4	8	296
Amortisation	(435)	(16)	(33)	(484)
Net book value	1,627	78	50	1,755
At 30 June 2022				
Cost	4,428	242	196	4,866
Accumulated amortisation	(2,801)	(164)	(146)	(3,111)
Net book value	1,627	78	50	1,755

Recognition and measurement

Internally generated intangible assets

Research costs are expensed as incurred. An intangible asset arising from development expenditure on an internal project is recognised only when the Company can demonstrate the following:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- Its intention to complete and its ability to use or sell the asset;
- How the asset will generate future economic benefits;
- The availability of resources to complete the development of the asset; and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

Following the initial recognition of development expenditure, the asset is carried at cost less any accumulated amortisation. Any expenditure capitalised is amortised over the period of expected benefits from the related asset. The carrying value of an intangible asset arising from development expenditure is tested for impairment annually when the asset is not yet available for use or more frequently when an indication of impairment arises during the reporting period.

Software assets

Directly attributable costs associated with the development of business software for internal use are recorded as software assets if the development expenditure satisfies the criteria for capitalisation as outlined above. Costs included in software assets developed for internal use are:

- External direct costs of materials, contract labour and services consumed; and
- Payroll and payroll-related costs for employees (including contractors) directly associated with the development project.

Costs that are not directly attributable are expensed as incurred. The Company does not consider that it has any qualifying assets and therefore does not currently capitalise any borrowing costs.

Acquired intangible assets

Intangible assets acquired through separate acquisition are recorded at cost.

Amortisation

Intangible assets are amortised on a straight-line basis over their estimated useful lives. The estimated useful lives of identifiable intangible assets are as follows:

Identifiable intangible asset type	Useful lives
Software assets	3–8 years
Telecommunications licences	Term of licence
Other intangible assets	3–10 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted, if appropriate. Amortisation of intangible assets does not commence until the assets are installed and ready for use, as intended by the Company.

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 \$88 million (2021: \$154 million).

Key estimates and judgements

Determination of useful lives of intangible assets

The estimation of useful lives, residual value and amortisation methods requires significant judgement and are reviewed at each reporting date. If they require modification, the amortisation expense is accounted for prospectively from the date of reassessment until the end of the revised useful life (for both the current and future years). Such revisions are generally required when there are changes in economic circumstances, climate risk impacts, regulatory changes, government policies, business plans and strategies, expected level of usage, and future technological developments, impacting specific assets or groups of assets. It is possible that future results of operations could be materially affected by changes in these estimates.

C. Our assets and liabilities continued

C5. Impairment of non-financial assets

Recognition and measurement

Tangible and intangible non-financial assets are measured using the cost basis and are considered to be impaired where their carrying value exceeds the recoverable amount.

Material intangible assets that are not yet subject to amortisation are tested on an annual basis for impairment, or where an indication of impairment exists. Property, plant and equipment and intangible assets subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

The recoverable amount of an asset is the higher of its fair value less costs of disposal or its value in use. Any reduction in the carrying value of an asset that results in the carrying value being less than its recoverable amount is recognised as an expense in profit or loss as an impairment loss.

For assets that do not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit (CGU) to which that asset belongs. The Company's CGU is determined according to the lowest level of aggregation for which the cash inflows are independent of cash inflows from other assets.

Key estimates and judgements

Assessment of indicators of impairment

The Company has determined that assets which form part of the **nbn**[®] network, work together to achieve the delivery of products and services in order to generate cash inflows. As a result, the Company has determined that the ubiquitous broadband network is a single CGU (the NBN Co CGU).

On an annual basis the Company assesses whether there is an indicator of impairment. Indicators of impairment may include changes in economic circumstances, climate risk impacts, regulatory changes, government policies, business plans and strategies, expected level of usage of assets, and future technological developments. Where an indicator of impairment is identified, impairment testing is performed. There were no indicators of impairment as at 30 June 2022.

C6. Trade and other payables

	NBN Co	
	30 June 2022 \$m	30 June 2021 \$m
Current		
Trade and other payables	272	228
Contract liabilities	180	122
Accruals	1,064	1,281
GST payable	61	10
Total	1,577	1,641

	NBN Co	
	30 June 2022 \$m	30 June 2021 \$m
Non-current		
Contract liabilities	19	6
Total	19	6

The accruals balance includes \$500 million (2021: \$498 million) relating to property, plant and equipment and intangible assets.

Recognition and measurement

Trade and other payables represent liabilities for goods and services provided to the Company prior to the end of the reporting date and which are unpaid. The amounts are unsecured. Trade and other payables are initially recognised at their fair value and subsequently carried at amortised cost using the effective interest method.

C7. Other liabilities

	NBN Co	
	30 June 2022 \$m	30 June 2021 \$m
Current		
Deferred gain on government grants	100	7
Deferred gain on developer contributions	28	24
Total	128	31

	NBN Co	
	30 June 2022 \$m	30 June 2021 \$m
Non-current		
Deferred gain on government grants	434	53
Deferred gain on developer contributions	973	825
Total	1,407	878

C. Our assets and liabilities continued

C7. Other liabilities continued

Recognition and measurement

Government grants

NBN Co is the recipient of various government grants, which can be in the form of a cash contribution or the contribution of an asset or assets for no consideration. Grants in the form of cash are recognised as other income in the profit or loss on a systematic basis over the periods in which the entity recognises expenditure for which the grants are intended to compensate. Where the cash is received in advance of the recognition of other income, it is recognised in the Statement of financial position as a deferred gain.

When the grant relates to an asset or assets received for no consideration, the asset is recorded at fair value and the resulting gain is credited to deferred income. The gain is released to profit or loss on a straight-line basis over the expected period of provision of services, which is estimated to be the useful life of the relevant asset or assets.

Developer contributions for no consideration

The Company receives network assets for no consideration from developers as part of the build of the **nbn**[®] network in new development areas. Assets received for no consideration are recorded at fair value and the resulting gain is credited to deferred income. The gain is released to profit or loss on a straight-line basis, over the expected period of provision of services which is estimated to be the useful life of the relevant asset or assets.

There are no unfulfilled conditions or contingencies attached to the developer contributions.

C8. Lease liabilities

	NBN Co	
	30 June 2022 \$m	30 June 2021 \$m
Current		
Lease liabilities	440	476
Total	440	476

	NBN Co	
	30 June 2022 \$m	30 June 2021 \$m
Non-current		
Lease liabilities	10,511	10,343
Total	10,511	10,343

The majority of the Company's lease liabilities relate to right-of-use licences to access Telstra's network infrastructure, including ducts, pits, exchange rack space and dark fibre network cables. The terms of these right-of-use licences are governed by the RDAs with Telstra (refer to Note F1).

The Company also leases certain commercial properties, commercial vehicles, and wireless base stations with various terms that are due to expire within a range of between one to thirty years.

Lease payments generally comprise a base amount plus an incremental contingent rental amount based on movements in the Consumer Price Index and periodic reviews to market-based levels.

Recognition and measurement under AASB 16 Leases

The Company recognises leases where the Company has the right to control the use of an identified asset for a period of time in exchange for consideration.

Leases in which the Company is a lessee

Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company, except where the Company applies the practical exemption to not apply AASB 16 for leases of low-value assets.

Management considers low-value assets as those assets valued at less than \$10,000, with this assessment based upon the value of the asset when it is new. The payments for these low-value assets will be recognised as operating expenditure on a straight-line basis (or other systematic basis). For the year ended 30 June 2022, \$22 million (2021: \$22 million) has been recognised as operating expenditure in the income statement for lease arrangements that have been classified as low-value assets.

Right-of-use assets and lease liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that are based on an index or a rate that are known at the reporting date; and
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

The lease liability is subsequently increased by the interest charged on the lease liability and decreased by lease payments made. The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The lease liability is remeasured when there is a change in future lease payments. The lessee shall recognise the amount of any remeasurement of the lease liability as an adjustment to the right-of-use asset. The Company is exposed to potential future changes in variable lease payments that are based on an index or rate, such as payments linked to the Consumer Price Index (CPI). Changes to these variable lease payments will result in a remeasurement of the lease liability (and corresponding adjustment to the right-of-use asset) at the point when these changes due to the movement in an index or rate become known.

The Company applies judgement to determine the lease term for some lease contracts in which it is a lessee that include purchase, renewal or termination options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which affects the value of lease liabilities and right-of-use assets recognised.

Leases in which the Company is a lessor

The Company does not have significant leases where it acts as the lessor. Under AASB 16, the Company will continue to classify each lease as either an operating lease or a finance lease.

A lease will be classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset.

Lease income from operating leases where the Company is a lessor, is recognised as income on a straight-line basis over the lease term.

C. Our assets and liabilities continued

C8. Lease liabilities continued

Key estimates and judgements

Determination of whether a contract contains a lease

At the inception of a contract, the Company will assess whether the contract is, or contains a lease. The Company will recognise a lease where a contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. In making this assessment the Company primarily considers if there is an identified asset, who has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use, and who can direct how and for what purpose the asset is used throughout the period of use.

Determination of the net present value of a lease

A number of key estimates and judgements have been made in determining the net present value of applicable lease payments. In determining the net present value of a lease, the applicable lease payments are discounted using the interest rate implicit in the lease. Where this cannot be readily determined, a discount rate representing the estimated incremental borrowing rate at the commencement of the lease is used.

The incremental borrowing rate is the rate of interest the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

The Company determines the incremental borrowing rate based upon the rate at which NBN Co, as a stand-alone company, can borrow funds. When determining the incremental borrowing rate for a lease, consideration is given to the term of the lease, recent credit ratings for NBN Co, comparable market transactions and the nature of the assets being leased.

Determination of lease term

Extension and termination options are included in a number of leases across the Company. These are used to maximise operational flexibility in terms of managing the assets used in the Company's operations. In determining the lease term, the Company considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The lease term is reassessed if an option is actually exercised (or not exercised) or the Company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the Company.

For network infrastructure right-of-use licences with Telstra, the term of each right-of-use licence, of up to 35 years, does not include possible renewal as the exercise of such options was not considered reasonably certain at inception of the agreements and also at the balance sheet date. The renewal period being two options, each for ten additional years, which are exercisable by NBN Co.

C9. Borrowings and other financial liabilities

	NBN Co	
	30 June 2022 \$m	30 June 2021 \$m
Current		
Borrowings	72	18
Non-current		
Borrowings	18,132	10,600
Related party borrowings - Commonwealth loan	6,375	13,200
Total	24,579	23,818

NBN Co's borrowings consist of unsecured bank facilities, Australian Medium-Term Note (AMTN) issuances, US144A/Reg S bond issuances, private placements and related party borrowings issued under the loan with the Commonwealth Government, details of which are shown in the following debt issuance and loan facility tables.

During the period ended 30 June 2022, the Company executed the following debt arrangements in the debt capital markets:

- Issued \$1.6 billion Australian Medium-Term Notes including \$800 million in Green bond (AUD) under the Australian Medium-Term Note (AMTN) program and NBN Co's Sustainability Bond Framework;
- Issued \$2.8 billion US 144A/Reg S bonds under the Global Medium-Term Note (GMTN) program; and
- Issued \$1.4 billion in private placements in Australian dollars (AUD), United States dollars (USD), Norwegian Krone (NOK) and Japanese Yen (JPY).

C. Our assets and liabilities continued

C9. Borrowings and other financial liabilities continued

The debt capital market issuances by the Company are shown below:

NBN Co				
	Interest	Issued debt \$m	Tenor	Maturity
At 30 June 2022				
AMTN	Fixed	1,200	5 years	Dec 2025
AMTN	Fixed	400	10 years	Dec 2030
AMTN	Fixed	350	7 years	Jun 2028
AMTN	Fixed	400	3 years	Sep 2024
AMTN	Floating	425	3 years	Sep 2024
Green AMTN	Fixed	800	5 years	Apr 2027
US144A (US\$750m) ¹	Fixed	968	5 years	May 2026
US144A (US\$1.25bn) ¹	Fixed	1,625	10 years	May 2031
US144A (US\$600m) ¹	Fixed	824	3 years	Oct 2024
US144A (US\$700m) ¹	Fixed	965	5.3 years	Jan 2027
US144A (US\$700m) ¹	Fixed	966	10.3 years	Jan 2032
Private placements	Fixed	200	6 years	Jun 2027
Private placements	Fixed	200	5 years	Jul 2026
Private placements	Fixed	50	12 years	Jul 2033
Private placements	Fixed	200	7 years	Oct 2028
Private placements	Fixed	200	7 years	Nov 2028
Private placements (NOK 1.25bn) ¹	Fixed	191	12 years	Jul 2033
Private placements (US\$50m) ¹	Fixed	68	7 years	Aug 2028
Private placements (NOK 1bn) ¹	Fixed	153	10 years	Apr 2032
Private placements (NOK 1.5bn) ¹	Fixed	238	10 years	Oct 2031
Private placements (JPY 5.5bn) ¹	Fixed	61	12 years	May 2034
Total		10,484		
At 30 June 2021				
AMTN	Fixed	1,200	5 years	Dec 2025
AMTN	Fixed	350	7 years	Jun 2028
AMTN	Fixed	400	10 years	Dec 2030
US144A (US\$750m) ¹	Fixed	968	5 years	May 2026
US144A (US\$1.25bn) ¹	Fixed	1,625	10 years	May 2031
Private placements	Fixed	200	6 years	Jun 2027
Total		4,743		

1. Amounts shown reflect the AUD value of the hedged principal amount at inception of the debt.

During the period ended 30 June 2022, the Company entered into new committed bank facilities for \$1.25 billion and utilised a further \$2.05 billion of its bank facilities for a total drawn amount of \$7.88 billion.

NBN Co						
	Interest	Facility Limit \$m	Drawn \$m	Undrawn \$m	Tenor	Maturity
At 30 June 2022						
Commonwealth loan	Fixed	6,375	6,375	-	7.5 years	Jun 2024
Bank facilities	Floating	200	200	-	3 years	Apr 2025
Bank facilities	Floating	800	250	550	5 years	Apr 2025
Bank facilities	Floating	200	-	200	4 years	Aug 2025
Bank facilities	Floating	2,350	1,665	685	5 years	Dec 2025
Bank facilities	Floating	1,700	1,300	400	6 years	Apr 2026
Bank facilities	Floating	250	250	-	5 years	Sep 2026
Bank facilities	Floating	650	650	-	5 years	Dec 2026
Bank facilities	Floating	550	50	500	7 years	Mar 2027
Bank facilities ¹	Floating	2,800	2,710	90	7 years	Apr 2027
Bank facilities ¹	Floating	950	650	300	6 years	Apr 2027
Bank facilities	Floating	150	150	-	5 years	Apr 2027
Bank facilities	Floating	50	-	50	7 years	Dec 2027
Overdraft facility	Floating	250	-	250	Rolling	Rolling
Total		17,275	14,250	3,025		
At 30 June 2021						
Commonwealth loan	Fixed	13,200	13,200	-	7.5 years	Jun 2024
Bank facilities	Floating	1,000	491	509	5 years	Apr 2025
Bank facilities	Floating	2,350	1,000	1,350	5 years	Dec 2025
Bank facilities	Floating	550	220	330	6 years	Mar 2026
Bank facilities	Floating	4,500	3,710	790	6 years	Apr 2026
Bank facilities	Floating	950	400	550	5 years	Apr 2026
Bank facilities	Floating	50	-	50	7 years	Dec 2027
Overdraft facility	Floating	100	-	100	Rolling	Rolling
Total		22,700	19,021	3,679		

1. The terms of these bank facilities were modified during the period to 30 June 2022, increasing the overall facility limit by \$1.25 billion and extending the tenor of certain facility agreements.

The loan agreement with the Commonwealth Government has a fixed interest rate of 3.96 per cent per annum and had a maximum draw down limit of \$13.2 billion as at 30 June 2021. Interest is payable monthly over the life of the facility and the full principal amount of the loan is due to be repaid by 30 June 2024. The Company utilised the proceeds from the above debt issuances and bank facilities to repay a further \$6.8 billion of the Commonwealth loan during the year to 30 June 2022. The terms of the Commonwealth loan allow NBN Co to use proceeds from debt raisings to make loan prepayments in advance of the maturity date. Once a repayment is made, the facility limit of the loan is reduced by the repaid amount, meaning it cannot be redrawn after being repaid. The Company plans to make further prepayments against the Commonwealth loan as further debt raisings are completed.

The Company's nominal weighted average cost of issued and drawn debt as at 30 June 2022 is 2.47 per cent (30 June 2021: 2.79 per cent). All borrowings are repayable in full at the end of the contracted period.

C. Our assets and liabilities continued

C9. Borrowings and other financial liabilities continued

Recognition and measurement

All loans are initially recorded at fair value, which typically reflects the proceeds received, net of directly attributable transaction costs. Establishment fees paid upon entering into loan facilities are recognised as transaction costs related to the loan to the extent that it is probable that some or all of the loan facility will be drawn down. In this case, establishment fees are deferred until the draw down occurs. If it is not deemed probable that some or all of the loan facility will be drawn down, then the fee is capitalised as a prepayment and amortised over the period of the related loan facility.

After initial recognition, all interest-bearing loans are measured at amortised cost, using the effective interest method. Loans that are in a designated fair value hedge relationship are adjusted for fair value movements attributable to the hedged risk. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Borrowings are derecognised when contractual obligations are discharged, cancelled or expired.

Reconciliation of borrowings arising from financing activities

A reconciliation of NBN Co's borrowings arising from financing activities has been shown in the table below.

	NBN Co	
	30 June 2022	30 June 2021
	Borrowings \$m	Borrowings \$m
Opening balance	23,818	20,458
Cash flows	968	3,302
Accrued interest	53	18
Fair value hedge and other adjustments	(594)	36
Foreign exchange movements	357	74
Capitalised transaction costs	(43)	(77)
Amortisation	20	7
Total	24,579	23,818

Net finance costs

Net finance costs primarily relate to the right-of-use licences to access Telstra's network infrastructure, and interest charged on borrowings.

	Note	NBN Co	
		30 June 2022 \$m	30 June 2021 \$m
For the year ended			
Finance charges on lease arrangements		(869)	(862)
Unwinding of the discount on other lease-related provisions		(1)	(1)
Interest on drawn external borrowing facilities		(158)	(42)
Interest on bonds		(129)	(19)
Interest on related party borrowings	H3	(336)	(691)
Interest on working capital facilities		-	(2)
Fees on undrawn external borrowing facilities		(9)	(15)
Other finance income / (charges) ¹		26	(2)
Other net interest income		6	13
Total		(1,470)	(1,621)

1. Other finance income/charges include hedge ineffectiveness.

C10. Provisions

	NBN Co	
	30 June 2022 \$m	30 June 2021 \$m
Current		
Employee benefits	132	190
Other provisions	30	19
Total	162	209

	NBN Co	
	30 June 2022 \$m	30 June 2021 \$m
Non-current		
Employee benefits	44	46
Other provisions	20	14
Total	64	60

Recognition and measurement

Provisions are recognised when:

- There is a present legal or constructive obligation to make a future sacrifice of economic benefits as a result of past transactions or events;
- It is probable that a future sacrifice of economic benefits will arise; and
- A reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Refer to Note D1 for employee benefits accounting policies.

D. Our people

This section describes employment and post-employment benefit expenses provided to our people.

D1. Employee benefits expenses

For the year ended	NBN Co	
	30 June 2022 \$m	30 June 2021 \$m
Defined contribution superannuation expense	(71)	(71)
Other employee expenses, net of capitalisation	(576)	(758)
Total	(647)	(829)

Recognition and measurement

Short-term employee benefit obligations

Short-term employee benefits comprise salaries and wages, including non-monetary benefits, short-term incentives and annual and long service leave that is expected to be settled within 12 months of the reporting date. Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Long-term employee benefit obligations

The liability for long service leave is measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to the expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using high-quality corporate bond rates at the reporting date with terms to maturity and currency to match, as closely as possible to, the estimated future cash flows. Remeasurement as a result of experience adjustments and changes in assumptions are recognised in profit or loss.

Post-employment benefits

The Company pays superannuation guarantee contributions into nominated defined contribution plans as advised by employees. Superannuation contributions are recognised as an expense as they become payable.

Termination benefits

Termination benefits are payable when employment is terminated, and an expense is recognised when the Company is demonstrably committed to terminating the employment of current employees according to a detailed formal plan without likelihood of withdrawal.

Capitalisation of employee benefits expenses

Employee benefits expenses are capitalised and included in the cost of property, plant and equipment, and software upon initial recognition to the extent that they are directly attributable to constructing and bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

D2. Key management personnel

Disclosures relating to key management personnel are set out below:

	NBN Co	
	30 June 2022 \$	30 June 2021 \$
Short-term employee benefits	9,604,904	8,881,003
Post-employment benefits	237,817	222,577
Long-term employee benefits	710,694	518,793
Termination benefits	-	608,933
Total	10,553,415	10,231,306

E. Our equity

On 22 June 2011, the Commonwealth Government and NBN Co entered into an Equity Funding Agreement (EFA), whereby the Commonwealth provided assurances to the Company in relation to the provision of equity funding until 30 June 2021.

As at 30 June 2022, the total committed equity funding of \$29.5 billion from the Commonwealth had been provided to NBN Co under the terms of the EFA.

E1. Contributed equity

As at 30 June 2022, a total of \$29.5 billion (2021: \$29.5 billion) had been provided to the Company.

	NBN Co Limited		NBN Co Limited	
	30 June 2022 Number of shares	30 June 2021 Number of shares	30 June 2022 \$m	30 June 2021 \$m
Ordinary shares fully paid	29,500,000,000	29,500,000,000	29,500	29,500
Total	29,500,000,000	29,500,000,000	29,500	29,500

Recognition and measurement

Issued and paid up capital is recognised at the fair value of the consideration received by the Company. Transactions with the Commonwealth of Australia, as owner, that are designated as equity injections for the financial period, are recognised directly in contributed equity and do not form part of comprehensive income in that financial period.

Ordinary shares

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

Capital risk management

The Company's objectives when managing capital are to safeguard the ability of the Company to continue as a going concern while maximising the return to the Commonwealth Government and maintaining an optimal capital structure. The capital structure of the Company consists of cash and cash equivalents disclosed in Note C1, borrowings disclosed in Note C9 and contributed equity.

Dividends declared

No dividends were declared or paid during the year (2021: nil).

E2. Other reserves

	NBN Co		
	Cash flow hedging reserve \$m	Cost of hedging reserve \$m	Total reserves \$m
At 30 June 2022			
Change in fair value of hedging instrument recognised in OCI	1,651	37	1,688
Reclassified from OCI to profit or loss	(352)	-	(352)
Deferred tax	(390)	(11)	(401)
Total	909	26	935
At 30 June 2021			
Change in fair value of hedging instrument recognised in OCI	73	3	76
Reclassified from OCI to profit or loss	(67)	-	(67)
Deferred tax	(2)	(1)	(3)
Total	4	2	6

The cash flow hedging reserve represents the effective portion of gains or losses on remeasuring the fair value of hedge instruments, where this qualifies for hedge accounting. The cost of hedging reserve represents changes in the fair value of the Company's derivative financial instruments attributable to movements in the foreign currency basis spread.

The amount accumulated in the cash flow hedge reserve and cost of hedging reserve is reclassified to profit or loss in the same period or periods during which the hedged expected future cash flows affect profit or loss.

F. Our significant contractual arrangements and commitments

NBN Co has entered into a number of contracts that will underpin the delivery of the **nbn**[®] network. In addition to entering into contractual arrangements with Delivery Partners for the build of the network, NBN Co has entered into strategic agreements with Telstra and Singtel Optus (Optus) that provide NBN Co with the required infrastructure to deliver fast broadband to all Australians.

These strategic agreements are essential to NBN Co in regard to its ability to achieve its short and long-term objectives.

F1. Telstra Revised Definitive Agreements

On 23 June 2011, NBN Co and Telstra announced that binding agreements (the Telstra Definitive Agreements or the DAs) had been entered into for the rollout of the **nbn**[®] network. The DAs became unconditional following the satisfaction of conditions precedent including Telstra shareholder approval in November 2011 and ACCC acceptance of Telstra's Migration Plan and Structural Separation Undertaking in March 2012.

Following the completion of the 2013 Strategic Review, the Government provided NBN Co with a new Statement of Expectations under which the **nbn**[®] network rollout was to transition from a primarily FTTP model to a Multi-Technology Mix (MTM) model.

On 14 December 2014, NBN Co and Telstra announced they had renegotiated the DAs and entered into a number of new agreements to provide for the shift to a MTM network rollout (the Revised Definitive Agreements or the RDAs). The RDAs came into effect on 26 June 2015 after all conditions precedent were either satisfied or waived.

As with the DAs, the RDAs provide NBN Co access to certain Telstra network infrastructure including ducts, pits, lead-in conduits (ownership of lead-in conduits transfers to NBN Co), exchange rack space and dark fibre to facilitate the efficient rollout of the **nbn**[®] network. The RDAs also continue to require Telstra to progressively disconnect premises connected to its copper and Hybrid Fibre Coaxial (HFC) networks (subject to exceptions for certain copper-based services and pay-TV services provided over parts of the spectrum on the HFC network) as the **nbn**[®] network is rolled out¹. Telstra will continue to be entitled to payments from NBN Co for disconnecting premises from its networks, and NBN Co continues to expense these payments.

In addition, the RDAs allow NBN Co to progressively take ownership of, and the operational and maintenance responsibility for, elements of Telstra's copper and HFC networks and use of those network elements where it represents the fastest and most cost effective way to deliver fast broadband to families and businesses. These copper and HFC network elements are being used as access technologies as part of the overall design of the MTM rollout.

The payment structure remains linked to the rollout of the **nbn**[®] network. Under the RDAs, once NBN Co starts acquiring the assets forming part of Telstra's HFC network, NBN Co has an obligation to continue to acquire all of Telstra's HFC network. In July 2016, NBN Co commenced the acquisition of assets forming part of Telstra's HFC network. Capital commitments in respect of the RDAs are disclosed in Note F3 and reflect NBN Co's obligation to continue to acquire all of Telstra's HFC network.

1. Services provided over the **nbn**[®] network will replace phone and internet services provided over most of the existing landline networks, including copper and the majority of HFC networks within the fixed-line footprint. Services provided over existing fibre networks (including in-building, health and education networks) and some special and business services may not be affected.

Under the RDAs, NBN Co has also agreed to reimburse Telstra for any direct, reasonable, substantiated and incremental (DRSI) costs incurred as a result of the move from the FTTP rollout to the MTM rollout, subject to certain exceptions. NBN Co is capitalising these costs as they are incurred.

As with the DAs, the estimated value of the RDAs is based on a range of dependencies and assumptions over the long-term life of the agreements. On a like-for-like basis, the estimated net present value payable to Telstra under the RDAs is equivalent to that under the DAs.

The RDAs contain an arrangement relating to the **nbn**[®] network rollout cessation and related consequences for NBN Co. In addition, there are provisions relating to NBN Co's liability for performing work on Telstra's live networks (refer to Note H2).

F2. Optus HFC Subscriber Agreement

On 23 June 2011, NBN Co executed an agreement with Singtel Optus Pty Ltd and other Optus entities (Optus) (the 2011 Optus HFC Subscriber Agreement).

On 19 July 2012, the ACCC published a final determination granting authorisation of the 2011 Optus HFC Subscriber Agreement.

Under the terms of the 2011 Optus HFC Subscriber Agreement:

- Optus agreed to progressively migrate HFC customers to the **nbn**[®] network as it is rolled out. Optus agreed to a fixed-line network preference in favour of NBN Co for residential and small business customers served by Optus' HFC network; and
- NBN Co agreed to make progressive payments to Optus based on the actual number of customers that migrate from its HFC network to the **nbn**[®] network.

On 14 December 2014, NBN Co and Optus announced they had signed agreements (the Revised HFC Subscriber Agreement) amending the 2011 Optus HFC Subscriber Agreement. On 19 September 2015, all of the conditions precedent to the Revised HFC Subscriber Agreement with Optus were satisfied.

The Revised HFC Subscriber Agreement provides NBN Co with the option to acquire elements of Optus' HFC network where it is efficient and/or cost effective to do so, as part of the overall design and implementation of the MTM rollout.

The Revised HFC Subscriber Agreement continues to require Optus to progressively migrate HFC customers to the **nbn**[®] network as it is rolled out.

Payments to Optus for the migration of customers to the **nbn**[®] network are expensed as incurred.

F. Our significant contractual arrangements and commitments continued

F3. Commitments

Capital commitments

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

	NBN Co	
	30 June 2022 \$m	30 June 2021 \$m
Within one year	705	830
Later than one year but not later than five years	54	90
Later than five years	11	11
Total capital commitments	770	931

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 Co'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.

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.

G. Our financial risk management

As a result of its operation, the Company is exposed to a number of financial risks. This section sets out the nature, quantification and management of these financial risks.

Financial risk management objectives

The Company's risk management policy is to identify, assess and manage risks which are likely to adversely affect the Company's financial performance, growth and ability to continue as a going concern. In terms of financial risk management, the Company takes a risk-averse approach as it seeks to minimise risk, provided it is cost effective to do so.

The Company's principal financial instruments are outlined in the following tables. The main risks arising from the Company's financial activities are market risks (interest rate risk, foreign currency risk), liquidity risk and credit risk.

Financial assets and liabilities

All the financial assets and liabilities below are carried at amortised cost except for derivatives which are measured at fair value. Borrowings that are in a designated fair value hedge relationship are adjusted for fair value movements attributable to the hedged risk.

	NBN Co	
	30 June 2022 \$m	30 June 2021 \$m
Financial assets		
Cash and cash equivalents	113	1
Trade and other receivables	503	450
Derivative financial assets	1,405	136
Carrying amount of financial assets	2,021	587
Financial liabilities		
Trade and other payables	1,535	1,637
Other liabilities	481	4
Lease liabilities	10,951	10,819
Derivative financial liabilities	169	16
Borrowings	18,204	10,618
Related party borrowings	6,375	13,200
Carrying amount of financial liabilities	37,715	36,294

Net interest income or expense from financial assets and liabilities

The net interest income or expense earned from financial assets and liabilities for the year ended 30 June 2022 was a net expense of \$1,469 million (2021: net expense of \$1,620 million).

G. Our financial risk management continued

Derivatives and hedging activities

The Company uses derivative financial instruments in the normal course of business in order to hedge exposures to fluctuations in interest rates and foreign exchange rates in accordance with the Company's financial risk management policies. The Company's policies allow derivative transactions to be undertaken for the purpose of reducing risk and do not permit speculative trading.

The fair value of the Company's derivative instruments at 30 June 2022 are as follows:

	NBN Co			
	30 June 2022		30 June 2021	
	Current \$m	Non-current \$m	Current \$m	Non-current \$m
Assets				
Forward exchange contracts (FEC)	6	-	5	-
Interest rate options (IRO)	-	2	-	-
Interest rate swaps (IRS)	2	1,326	-	47
Cross-currency interest rate swaps (CCIRS)	20	49	4	80
Total derivative assets	28	1,377	9	127
Liabilities				
Forward exchange contracts (FEC)	-	-	1	-
Interest rate swaps (IRS)	14	14	1	11
Cross-currency interest rate swaps (CCIRS)	-	141	-	3
Total derivative liabilities	14	155	2	14

Recognition and measurement

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument and if so, the nature of the item being hedged.

The Company has derivatives which are designated as either:

- Cash flow hedges, being hedges of a particular risk associated with cash flows of recognised assets and liabilities and highly probable forecast transactions; or
- Fair value hedges, being hedges of the fair value of recognised assets or liabilities or a firm commitment.

At the inception of the hedging transaction, the Company documents the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, as to whether the derivatives used in hedging transactions have been, and will continue to be effective, in offsetting changes in either the fair value or cash flows of hedged items. When forward contracts are used to hedge forecast transactions, the Company generally designates the entire fair value of the forward contract as the hedging instrument. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months.

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss and are included within net finance costs.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in reserves in equity. The ineffective portion is recognised immediately in profit or loss within net finance costs.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss. When the hedged forecast transaction results in the recognition of a non-financial asset, the gains and losses previously deferred in equity are reclassified from equity and included in the initial measurement of the cost of the asset.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss related to the hedging instrument existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to profit or loss, where applicable.

Cross-currency interest rate swaps and foreign exchange contracts hedge variability in future cash flows due to fluctuations in foreign exchange risk associated with foreign currency denominated borrowings and highly probable forecast transactions. Similarly, interest rate swaps and options which hedge variability in future cash flows due to fluctuations in underlying benchmark interest rates, are also designated in cash flow hedge relationship.

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss within net finance costs, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The gain or loss relating to the ineffective portion is recognised in profit or loss within net finance costs.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest

method is used, is amortised to profit or loss over the period to maturity using a recalculated effective interest rate.

Cross-currency interest rate swaps and interest rate swaps which hedge variability in fair value of foreign and domestic borrowings due to fluctuations in underlying benchmark interest rates are designated in fair value hedge relationships.

Hedge effectiveness

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument.

Hedge ineffectiveness may occur due to:

- The credit value/debit value adjustment on the hedging instrument is not being matched by a similar adjustment on the hedged item; and
- Differences in critical terms between the hedging instrument and hedged item.

Offsetting financial assets and liabilities

Currently there is no right or basis to present any financial assets or financial liabilities on a net basis, other than interest receivable and payable on derivative financial instruments. As such, no financial assets or financial liabilities, other than those mentioned above, have been presented on a net basis in the Company's Statement of financial position at the end of the financial year.

Power Purchase Agreement

The Company entered into a solar power purchase agreement (PPA) in July 2020 for a period of ten years from the commencement of commercial production. The solar farm is situated in West Wyalong, NSW.

The PPA is not a physical electricity supply contract. It operates as a "contract for difference" (CfD) which is a derivative financial instrument.

The CfD will be measured as a level 3 financial instrument as one of the key inputs, being the electricity spot prices, cannot be forecast (using observable market data) for the duration of the contract. As at 30 June 2022, the NSW solar plant is not operational.

G. Our financial risk management continued

Derivatives and hedging activities continued

Hedge Accounting

The impact of derivatives and hedging activities on the Company's financial position and performance is as follows:

	NBN Co				
	Fair Value Hedges				
	30 June 2022			30 June 2021	
	Interest rate \$m	Total \$m	Interest rate \$m	Total \$m	
Carrying amount of hedging instruments^{1,2}					
Derivative assets	-	-	38	38	
Derivative liabilities	(568)	(568)	-	-	
Fair value hedge adjustment					
Carrying amount of hedged item recognised in the Statement of financial position	(5,798)	(5,798)	(2,692)	(2,692)	
Cumulative fair value adjustment on hedged item	567	567	(33)	(33)	
Hedge effectiveness					
Change in value of hedging instrument used for calculating hedge effectiveness	(606)	(606)	38	38	
Change in value of hedged item used for calculating hedge effectiveness	600	600	(33)	(33)	
Hedge ineffectiveness recorded in profit and loss	(6)	(6)	5	5	

	NBN Co						
	Cash Flow Hedges						
	30 June 2022			30 June 2021			
	Foreign exchange \$m	Interest rate \$m	Total \$m	Foreign exchange \$m	Interest rate \$m	Total \$m	
Carrying amount of hedging instruments^{1,2}							
Derivative asset	608	1,328	1,936	84	47	132	
Derivative liabilities	(141)	-	(141)	(41)	(11)	(52)	
Hedge effectiveness							
Change in value of hedging instrument used for calculating hedge effectiveness	404	1,290	1,694	42	36	78	
Change in value of hedged item used for calculating hedge effectiveness	(371)	(1,289)	(1,660)	(43)	(37)	(80)	
Hedge ineffectiveness recorded in profit and loss	33	1	34	(1)	(1)	(2)	
Change in hedge reserves							
Change in value of hedging instrument recognised in cash flow hedge reserves	364	1,216	1,580	35	29	64	
Change in value of the hedging instrument recognised in cost of hedge reserves	34	-	34	3	-	3	
Amount reclassified from cash flow hedge reserve to net finance costs for continued and discontinued hedges ³	(354)	68	(286)	(74)	6	(69)	
Change in reserves for continued and discontinued hedges	44	1,284	1,328	(37)	35	(2)	

1. Excluding accrued interest.

2. The carrying amount of the hedging instruments are grossed up to allow for the trifurcation methodology applied when designating cross-currency interest rate swaps in fair value and cash flow hedges.

3. Amounts released from cash flow hedge reserve for discontinued hedges amounted to \$5 million (30 June 2021: nil).

Foreign currency risk management

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is exposed to foreign currency risk due to fluctuations in foreign exchange rates for certain transactions.

The carrying amount of monetary assets and liabilities for foreign exchange risk denominated in foreign currencies and notional cash outflows for forward exchange contracts as expressed in Australian dollars is as follows:

	NBN Co							
	30 June 2022				30 June 2021			
	USD \$m	EUR \$m	NOK \$m	JPY \$m	USD \$m	EUR \$m	NOK \$m	JPY \$m
Foreign exchange risk								
Trade payables	43	-	-	-	63	2	-	-
Borrowings	5,326	-	557	58	2,692	-	-	-
Current foreign exchange risk	5,369	-	557	58	2,755	2	-	-
Forward exchange contracts								
Buy foreign currency (cash flow hedges)	118	-	-	-	149	2	-	-
Forward exchange contract risk	118	-	-	-	149	2	-	-

The Company has entered into forward exchange contracts to hedge its exposure to currency risk in relation to highly probable forecast transactions which are denominated in foreign currency. In order to protect against exchange rate movements, the Company has entered into forward exchange contracts to purchase US dollars. The Company's strategy is to fully hedge all material contractually certain foreign currency exposures and to hedge highly probable material foreign exchange exposures on a sliding scale dependent upon the period of time until expected settlement.

In accordance with its risk management strategy, the Company enters into cross-currency interest rate swaps to mitigate the foreign currency exposure on all of its foreign currency denominated borrowings.

G. Our financial risk management continued

Foreign currency risk management continued

The maturity profile of the Company's cross-currency interest rate swaps is as follows:

	NBN Co					
	30 June 2022			30 June 2021		
	Within 1 year \$m	1 to 5 years \$m	Greater than 5 years \$m	Within 1 year \$m	1 to 5 years \$m	Greater than 5 years \$m
Cash flow hedges	118	2,757	3,302	149	969	1,626

As at 30 June 2022, the major currency pairs of cross-currency interest rate swaps designated in hedge relationships are receive USD/pay AUD and received NOK/pay AUD with weighted average foreign currency rates of AUD/USD 0.75 and NOK/AUD 6.44 (30 June 2021: AUD/USD 0.77).

The Company has not entered into foreign currency positions that are not supported by underlying purchasing transactions that are either certain or highly probable as to timing, quantum and currency.

Sensitivity analysis

Sensitivity analysis to exchange rate movements based on the translation of financial instruments at the end of the period is as follows:

	NBN Co	
	Impact on post-tax profit and equity 30 June 2022 \$m	Impact on post-tax profit and equity 30 June 2021 \$m
Exchange rates (AUD/USD)		
+ 10 cents	(20)	(15)
- 10 cents	24	20

A sensitivity range of plus 10 cents and minus 10 cents has been selected as a reasonably possible shift in exchange rate movements based on the current and historical level of volatility.

Interest rate risk management

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk due to changes in market interest rates associated with interest-bearing cash and cash equivalents and long-term borrowings. Interest on financial instruments classified as floating rate is repriced at intervals of less than one year. Interest on financial instruments classified as fixed rate is fixed until maturity of the instrument.

The Company manages its risk by entering into fixed and floating rate borrowings and by entering into interest rate swaps and options to manage the interest rate exposure in accordance with the Treasury Policy.

	NBN Co			
	Notional Amount \$m	Notional swapped from floating to fixed \$m	Notional swapped from fixed to floating \$m	Net exposure to floating interest rate risk \$m
At 30 June 2022				
Floating rate debt portfolio	13,861	10,860	(400)	3,401
At 30 June 2021				
Floating debt portfolio	8,413	5,600	-	2,813

Taking interest rate swaps into account, the proportion of debt exposed to floating rates is 13.75 per cent (30 June 2021: 11.85 per cent).

The notional maturity profile of the Company's interest rates swaps and options is as follows:

	NBN Co					
	30 June 2022			30 June 2021		
	Within 1 year	1 to 5 years	Greater than 5 years	Within 1 year	1 to 5 years	Greater than 5 years
Cash flow hedges	-	7,910	4,950	-	4,000	1,600
Fair value hedges	-	400	-	-	-	-

As at 30 June 2022, the weighted average fixed interest rate swaps and options designated in hedge relationships was 1.27 per cent (30 June 2021: 0.75 per cent).

G. Our financial risk management continued

Interest rate risk management continued

Sensitivity analysis

Sensitivity analysis to interest rate movements, based on the translation of financial instruments at the end of the year is as follows:

	NBN Co	
	Impact on post-tax profit and equity 30 June 2022 \$m	Impact on post-tax profit and equity 30 June 2021 \$m
Interest rates +100 basis points	329	195
Interest rates -100 basis points	(352)	(206)

Sensitivity analysis to interest rates moving +/- 100 basis points on variable rate borrowings that are not hedged is -/+ \$24 million on post-tax profit (30 June 2021: -/+ \$20 million).

A sensitivity range of plus 100 basis points and minus 100 basis points has been selected as a reasonably possible shift in interest rates based on the current level of interest rates and historical volatility.

Credit risk exposure

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in financial loss to the Company. Counterparty exposure is measured as the total value of the exposures to all obligations of any single legal or economic entity (e.g. a group of companies). Credit risk is managed on a group basis. The Company manages its credit risk via Board approved policies that require a formal approval of new counterparties, credit limit monitoring by counterparty and ongoing monitoring and reporting to manage credit risk exposure. Credit risk arises from cash and cash equivalents and the net favourable position of derivative financial instruments, as well as credit exposures to Retail Service Providers.

The Company does not expect any significant losses from non-performance by any of these counterparties.

The Company's maximum exposure to credit risk at the end of the reporting period is the carrying amount of the financial assets as recorded in the Statement of financial position.

The credit quality of financial assets can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

	NBN Co	
	30 June 2022 \$m	30 June 2021 \$m
Trade receivables		
<i>Counterparties with an external credit rating</i>		
AAA	7	2
A-	259	252
BB-	3	2
<i>Counterparties without an external credit rating¹</i>		
Group 1	3	8
Group 2	189	161
Group 3	6	3
Total	467	428
Cash at bank and short-term bank deposits		
AA-	113	1
Total	113	1
Derivative financial assets		
AA-	485	65
A+	594	24
A	278	43
A-	48	-
BBB	-	4
Total	1,405	136

1. Group 1 – new customers (less than six months).
 Group 2 – existing customers (more than six months) with no defaults in the past.
 Group 3 – existing customers (more than six months) with defaults in the past, subsequently remediated.

The Company did not have any material receivables that were past due or impaired at 30 June 2022 (30 June 2021: nil).

Liquidity risk

Liquidity risk refers to the risk of encountering difficulties in meeting obligations associated with financial liabilities. Liquidity risk management is associated with ensuring sufficient funds are available to meet financial commitments in a timely manner and planning for unforeseen events which may curtail cash flows and cause pressure on liquidity. The Company's financial liabilities are trade and other payables, finance lease liabilities, and borrowings.

The Company measures and manages liquidity risk through the liquidity ratio and by forecasting liquidity and funding requirements for the next four years as a minimum, which is reviewed annually by the Board as part of the Corporate Plan. In addition, the Company prepares and reviews a rolling monthly cash forecast. The risk of refinancing is reduced by ensuring that the Company's borrowings mature across different periods.

The total drawn and undrawn amounts across all available borrowings are included in Note C9.

G. Our financial risk management continued

Liquidity risk continued

Contractual maturities of financial assets and liabilities

The following table illustrates the maturities for financial assets and liabilities:

	NBN Co				
	Within 1 year \$m	1 to 5 years \$m	Greater than 5 years \$m	Total contractual cash flows \$m	Carrying amount (assets)/ liabilities \$m
At 30 June 2022					
Non-derivatives					
Trade and other payables	1,516	19	-	1,535	1,535
Other liabilities	97	384	-	481	481
Borrowings	551	15,635	5,056	21,242	18,204
Related party borrowings	252	6,628	-	6,880	6,375
Lease liabilities	1,308	4,175	19,460	24,943	10,951
Total	3,724	26,841	24,516	55,081	37,546
Derivatives					
Gross settled (Foreign exchange forwards)					
- inflow	124	-	-	124	(124)
- outflow	(118)	-	-	(118)	118
Gross settled (Interest rate swaps)					
- inflow	294	1,586	576	2,456	(2,167)
- outflow	(128)	(565)	(241)	(934)	865
Gross settled (Cross-currency interest rate swaps)					
- inflow	124	3,200	4,022	7,346	(6,174)
- outflow	(209)	(3,774)	(4,094)	(8,077)	6,246
Total	87	447	263	797	(1,236)
At 30 June 2021					
Non-derivatives					
Trade and other payables	1,635	6	-	1,641	1,641
Borrowings	126	8,458	2,715	11,299	10,618
Related party borrowings	523	14,245	-	14,768	13,200
Lease liabilities	1,333	4,101	19,818	25,252	10,819
Total	3,617	26,810	22,533	52,960	36,278
Derivatives					
Gross settled (Foreign exchange forwards)					
- inflow	153	-	-	153	(5)
- outflow	(149)	-	-	(149)	1
Gross settled (Interest rate swaps)					
- inflow	4	207	93	304	(292)
- outflow	(42)	(161)	(64)	(267)	257
Gross settled (Cross-currency interest rate swaps)					
- inflow	58	1,233	1,886	3,177	(2,888)
- outflow	(33)	(1,200)	(1,928)	(3,161)	2,807
Total	(9)	79	(13)	57	(120)

Fair value measurement of financial instruments

The Company 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). If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

Level 3: If one or more of the significant inputs for the asset or liability are not based on observable market data (unobservable inputs).

Fair value of derivative assets and liabilities

The Company'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, other than PPA derivatives which are categorised as Level 3.

There has been no change in the valuation techniques applied and there were no transfers between hierarchy levels during the year.

Key estimates and judgements

Determination of the fair value of derivative assets and liabilities

There are several assumptions used in the determination of the fair value of the Company's derivative assets and liabilities, particularly in relation to the accounting for cross-currency interest rate swaps which use a trifurcation methodology between fair value and cash flow hedges. The fair value of derivatives used for hedging is determined using forward exchange rates at the reporting date and the present value of the estimated future cash flows based on observable yield curves, which if move significantly can cause material movements in the Statement of financial position.

Fair value of other financial instruments (excluding lease liabilities)

At 30 June 2022, the carrying value and fair value of the Company's non-current borrowings were \$9.9 billion and \$9.2 billion respectively. The difference between carrying value and fair value reflects the movements in underlying market interest rates between settlement date and reporting date for the Company's non-current borrowings. The carrying value of non-current borrowings were materially consistent with their fair values for the comparative period.

The Company has determined that the carrying value of the loan from the Commonwealth of Australia is materially consistent with its fair value at the reporting date. The fair value has been estimated using both observable and hypothetical unobservable inputs to determine a hypothetical cost of debt, which includes an estimate of an appropriate execution charge should this be replaced at the reporting date. Other assumptions are consistent with the terms of the loan.

The carrying amounts of the other financial instruments which are not measured at fair value are materially consistent with their fair value as at the reporting date.

H. Other financial information

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

H1. Income tax expense

	NBN Co	
For the year ended	30 June 2022 \$m	30 June 2021 \$m
(a) Income tax benefit		
Deferred tax	399	1
Total	399	1
(b) Numerical reconciliation of income tax benefit to prima facie tax payable		
Loss before income tax	(1,867)	(3,838)
Tax at the Australian tax rate of 30% (2021: 30%)	560	1,151
Tax effect of amounts which are not deductible (taxable) in calculating taxable income		
Current year tax losses not recognised	(492)	(1,040)
Temporary differences not recognised	(68)	(111)
Temporary differences recognised	399	1
Income tax benefit	399	1
(c) Tax Losses		
Unused tax losses for which no deferred tax asset has been recognised	29,226	27,585
Potential tax benefit at 30%	8,768	8,276
(d) Unrecognised temporary differences		
Deductible temporary differences for which deferred tax assets have not been recognised:		
Property, plant and equipment and Intangible assets	2,266	3,281
Provisions and accruals	232	318
Net temporary differences for which deferred tax assets have not been recognised	2,498	3,599
Unrecognised deferred tax asset relating to the above net deductible and taxable temporary differences	749	1,080

The cumulative amount of unrecognised tax losses of \$29,226 million (2021: \$27,585 million) may be available to offset against future income tax assessments when the Company generates taxable income.

The Company has recognised a deferred tax benefit of \$399 million for the current year. This relates to the recognition of previously unrecognised deductible temporary differences as a deferred tax asset to offset a deferred tax liability created as a result of the movement in the cash flow hedge reserve and cost of hedging reserve, which is recognised directly in the reserves to which it relates (see Note E2).

Effective tax rate

The non-recognition of deferred tax assets for deductible temporary differences and tax losses has led to NBN Co having an Australian accounting effective tax rate (ETR) of 0 per cent. If deferred tax assets had been fully recognised for deductible temporary differences and tax losses, NBN Co's Australian ETR would have been 30 per cent.

The above ETR has been calculated on the basis of income tax expense divided by accounting profit, in accordance with the requirements of the Board of Taxation's Tax Transparency Code.

Recognition and measurement

The income tax expense or benefit for the period is the tax payable or receivable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax expense or benefit is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is recognised in other comprehensive income or directly in equity, respectively.

H2. Contingent assets and contingent liabilities

Recognition and measurement

Contingent assets and contingent liabilities are not recognised in the Statement of financial position, but are reported in this Note. They may arise from uncertainty as to the existence of an asset or liability or represent an asset or liability in respect of which the amount cannot be reliably measured. Contingent assets are disclosed when settlement is probable, but not virtually certain and contingent liabilities are disclosed when the likelihood of settlement is greater than remote but not probable. The details of NBN Co's significant contingent assets and liabilities are set out below:

Telstra Revised Definitive Agreements

Under the Telstra Revised Definitive Agreements, NBN Co has a right to undertake copper, HFC and associated passive infrastructure (API) pre-construction and construction works on Telstra's networks pre-asset transfer. NBN Co has indemnified Telstra against any loss or claim for death, personal injury or damage as well as contractual liabilities of Telstra to its customers arising as a result of NBN Co undertaking such works on Telstra's networks pre-asset transfer. To the extent that claims or damages could be reliably measured, adequate allowance has been made for resultant liabilities at the reporting date.

Legal action

As at 30 June 2022, NBN Co had no outstanding legal action that would materially impact the 30 June 2022 financial statements. However, from time to time, the Company may be subject to a lawsuit or proceedings for which it may be required, either by law or based on its business judgement, to make payments to settle or otherwise resolve matters.

H. Other financial information continued

H2. Contingent assets and contingent liabilities continued

Contractual related claims and disputes

Various claims and disputes arise from time to time in the ordinary course of business. Where the resolution (if any) cannot be measured with sufficient reliability, no asset or liability for these claims or disputes is recognised.

To the extent a resolution for claims or disputes is probable and could be reliably measured, and in the case of an asset the resolution is virtually certain, adequate recognition in the Statement of financial position has been made at the reporting date. The disclosure of any further information about claims or disputes would be prejudicial to the interests of the Company.

H3. Related party transactions

Parent entity

The prior year comparatives include the financial results of the Company and the subsidiaries it controlled for a portion of the period. During this period, the parent entity within the Group was NBN Co Limited. The Company's ultimate parent entity and ultimate controlling entity is the Commonwealth of Australia.

Acquisitions

There were no acquisitions in the year.

Subsidiaries

NBN Co has liquidated and deregistered NBN Tasmania Limited and NBN Co Spectrum Pty Ltd to simplify the operations of the Company. These wholly-owned subsidiaries ceased to be controlled by the Company on 2 October 2020 when the liquidators were appointed. All assets and liabilities of the subsidiaries were transferred to NBN Co Limited at carrying value.

Key management personnel

Disclosures relating to key management personnel are presented in Note D2.

Transactions with related parties

The following transactions occurred with related parties:

For the year ended	NBN Co	
	30 June 2022 \$	30 June 2021 \$
Loans from the Commonwealth of Australia		
Balance at 1 July	13,200,000,000	19,458,078,766
Loans advanced during the year	-	42,000,000
Loans paid during the period	(6,825,000,000)	(6,300,000,000)
Interest charged on government borrowings	336,032,038	690,632,896
Interest paid on government borrowings	(336,032,038)	(690,711,662)
Balance at 30 June	6,375,000,000	13,200,000,000

For the year ended	NBN Co	
	30 June 2022 \$	30 June 2021 \$
Significant transactions with our Shareholder Departments		
<i>Recognised in the Statement of profit or loss</i>		
Other operating income	42,050,349	-
<i>Recognised in the Statement of financial position</i>		
Other receivables	21,983,070	-
Contract liabilities	10,618,074	-
Other liabilities	480,000,000	3,574,634
<i>Recognised in the Statement of cash flows</i>		
Receipts from customers	10,618,074	-
Government grants received	496,492,645	3,574,634

During FY22, NBN Co received \$480 million grant funding from the Department of Infrastructure, Transport, Regional Development, Communications and the Arts as part of the NBN Co Fixed Wireless and Satellite Upgrade Program, with NBN Co also contributing an estimated \$270 million of investment into the Program. NBN Co recognises grant income in profit or loss on a systematic basis aligned to the expenditure incurred by the Company for which the Grant is intended to compensate. As at 30 June 2022, NBN Co has recognised the full \$480 million as a deferred gain.

NBN Co has recognised \$33 million grant income from the Department of Infrastructure, Transport, Regional Development, Communications and the Arts on behalf of the Commonwealth under the Regional Broadband Scheme (RBS). The RBS was established by Government to ensure there are long-term sustainable funding arrangements in place to provide essential broadband services to regional, rural and remote Australians. As at 30 June 2022, NBN Co had accrued income for the RBS Levy of \$22 million and \$11 million cash payments were received during the period.

NBN Co also receives a number of small individual grants from its Shareholder Departments, these are also included in the table above.

Other Directors' interests

Certain Directors of NBN Co are also Directors and/or shareholders of other companies that supply NBN Co with goods and services or acquire services from NBN Co. The contractual agreements governing these transactions are approved in line with NBN Co's delegated limits of authority. The Directors of NBN Co do not participate in the decisions to enter into these transactions, unless Board approval is required. Where Board approval is required and where a Director of NBN Co has a material personal interest, then in accordance with NBN Co's Conflict of Interest (Directors) (including External Securities Declaration of Interests) Policy, and as required by the *Corporations Act 2001* (Cth), the Director concerned will not vote upon the decision nor take part in the consideration of the relevant transaction.

Mr Malone is a Non-Executive Director of Speedcast International Limited. NBN Co had contracts with Speedcast Australia Pty Ltd and Speedcast Managed Services Pty Ltd, both subsidiaries of Speedcast International Limited. During the financial year ended 30 June 2021, the Company purchased certain assets from Speedcast Managed Services Pty Ltd and insourced the services performed by Speedcast Managed Services Pty Ltd on behalf of NBN Co. Mr Malone was not present when matters involving Speedcast were discussed by the Board in the prior year.

H. Other financial information continued

The following aggregate payments for goods and services (excluding GST) occurred with the above related parties:

For the year ended	NBN Co	
	30 June 2022 \$	30 June 2021 \$
Payments for various goods and services (excluding GST) from entities with common key management personnel	2,540,000	18,781,441

H4. Remuneration of auditors

Under Section 98 of the PGPA Act, the Auditor-General is responsible for auditing the financial statements of NBN Co Limited. On 4 December 2020, the Australian National Audit Office (ANAO) reappointed PwC as contractors to the financial statement audit process.

NBN Co has engaged PwC on assignments additional to their contract auditor duties and may decide to continue to do so, where their expertise and experience with the Company is important and no potential conflicts of interest exist. Any such engagement with PwC is subject to prior approval by the ANAO and having regard to their independence policies. The Directors are satisfied that the provision of advisory services by PwC did not compromise auditor independence requirements, having a specific regard to PwC's role as the contractor to the ANAO.

During the year, the following fees were paid or payable for services provided by the auditor and PwC:

For the year ended	NBN Co	
	30 June 2022 \$	30 June 2021 \$
Australian National Audit Office		
Audit of annual financial statements	2,497,591	2,626,200
Review of half-year financial statements	975,552	883,040
Audit of NBN Co reporting for Whole of Government financial statements	362,401	352,000
Total remuneration for audit and other assurance services	3,835,544	3,861,240
PwC Australia		
Other assurance related services		
- <i>Environmental, Social, and Governance (ESG) Assurance</i>	180,000	-
- <i>Regulatory audit and reviews</i>	470,000	435,000
- <i>Non-statutory audit and review in connection with the US debt raising</i>	192,000	204,000
- <i>Comfort letters issued in connection with the US debt raising</i>	1,000,000	1,451,942
- <i>Other services</i>	100,000	50,000
Total remuneration for other assurance related services	1,942,000	2,140,942
Other services		
- <i>Tax compliance</i>	18,000	16,000
- <i>Risk advisory services</i>	-	185,808
Total remuneration for other services	18,000	201,808
Total auditor's remuneration	5,795,544	6,203,990

H5. Other significant accounting policies

Impairment of financial assets

Financial assets are assessed at each reporting date to determine whether there is any objective evidence that they are impaired. A financial asset is impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Significant financial assets are tested for impairment individually. The remaining financial assets are assessed in groups that share similar credit risk characteristics.

The Company recognises loss allowances for Expected Credit Losses (ECLs) on financial assets measured at amortised cost and contract assets (as defined in AASB 15 *Revenue from Contracts with Customers*). Loss allowances are deducted from the gross carrying amount of the financial asset and recognised in profit or loss. ECLs are based on the difference between contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the effective interest rate of the financial asset.

NBN Co has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The provision rates are based on days past due for groupings of various customers with similar loss patterns (i.e. by geographic region, customer type and rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Foreign currency translation

Foreign currency transactions are translated into the functional currency of the Company using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the Statement of financial position.

The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

Interest income

The Company records interest income on an accruals basis. For financial assets, interest revenue is determined by the effective yield on the instrument.

Subscriber costs

Subscriber costs primarily include contractual payments to Telstra regarding the disconnection of services and to Optus regarding the migration of subscribers as well as expenditure for medical alarm and satellite subsidy schemes. Expenditure is recognised in the period as the disconnection or migration service is rendered.

H. Other financial information continued

H5. Other significant accounting policies continued

Changes in accounting policies

Except for the changes below, the Company has consistently applied the accounting policies to all periods presented in these financial statements.

AASB 2020-8 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform- Phase 2

The Company adopted AASB 2020-8 *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2* (AASB 2020-8) effective from 1 July 2020. The interest rate benchmark reform aims to discontinue Interbank Offered Rates (IBORs) and replace these interest rate benchmarks with alternate Risk Free Rates (RFRs). Phase 2 amendments enable the Company to reflect the effects of transitioning IBORs to RFRs without giving rise to accounting impacts that would not provide useful information to users of financial statements.

Currently, the Phase 2 amendments only apply to certain currencies and as at 30 June 2022, the Company has borrowings and derivative financial instruments in both USD and JPY which are potentially impacted. Although the Company has no direct IBOR exposure to these currencies on account of the borrowings and derivative financial instruments being fixed rate in nature, some of the underlying hedge relationships reference IBOR, and as such, the Company needs to consider the impact of the IBOR reform on borrowings and derivative financial instruments issued in both these currencies.

During May 2022, the Company transacted a JPY Private Placement and hedged this using a cross-currency interest rate swap. To ensure compliance with the reform, the Company has transacted and valued its cross-currency interest rate swap with reference to the applicable RFR, Tokyo overnight average rate (TONAR), as opposed to the JPY Tokyo Interbank Offered Rate (TIBOR) rate.

As at 30 June 2022, the Company has designated cross-currency interest rate swaps based on USD London Interbank Offered Rate (LIBOR) swap rates, which will be impacted upon the discontinuation of USD LIBOR, which is expected in 2023.

The Company has performed an assessment of exposures linked to USD LIBOR as at 30 June 2022 below:

Notional in USD	Notional in AUD	Maturity	Hedge Relationship	Hedging Instrument (prior to transition)	Hedged Item	Transition Progress
			Fair Value Hedge	Receive benchmark interest rate (LIBOR3m) portion of USD coupon, pay LIBOR3m.	Benchmark interest rate (LIBOR3m) portion of USD coupons over the life of the bond.	The overall economics of the hedging transactions will not be modified as part of the transition process as there is no direct exposure to LIBOR, however, should any benchmark rates change this will be effected in the underlying hedge relationships.
USD 4.05 billion	AUD 5.42 billion	2026 to 2032	Cash Flow Hedge	Receive LIBOR3m, pay AUD BBSW3m combined with USD and AUD principal exchanges at effective and maturity date.	USD principal repayment of the bond from first repayment date until maturity of the bond.	At 30 June 2022, no hedging instruments or related hedged items linked to USD LIBOR have transitioned to alternative benchmark rates.
			Cash Flow Hedge	Receive USD margin above the benchmark interest component of the fixed USD coupon, pay AUD margin above the benchmark BBSW3m.	USD Margin above benchmark rate component of the USD fixed coupon payable on the bond (equivalent to credit margin on borrowing) over the term of the bond.	

New standards and interpretations available for early adoption

A number of standards, amendments and interpretations were applicable for the first time from 1 July 2021. These have not had a significant or immediate impact on the Company's financial statements.

AASB 2020-1 *Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-Current* and AASB 2020-6 *Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-Current* is applicable for the first time from 1 July 2023. The amendments to this standard are not expected to have a material impact on the Company's financial statements.

I. Events occurring after the reporting period

Since the end of the financial year, the Company formally withdrew its Special Access Undertaking (SAU) variation proposal that was lodged with the Australian Competition and Consumer Commission (ACCC) in March and is planning to submit a revised SAU variation as soon as possible. The SAU is the regulatory instrument which provides the framework for pricing and other key terms on which the Company provides services to retail service providers. NBN Co remains committed to continue working closely with the ACCC, RSPs, Shareholder Ministers and other industry groups on the SAU variation process to ensure that an appropriate long-term regulatory framework is established for the future. This does not have any impact on the financial results or financial position of the Company as at 30 June 2022.

No other matter or circumstance has arisen since 30 June 2022 to the date of signing of this report, that has significantly affected, or may affect:

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

Directors' declaration

In the Directors' opinion:

- (1) The financial statements and notes set out on pages 130 to 184 are in accordance with the *Corporations Act 2001* and the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), including:
 - (i) Complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) Giving a true and fair view of the Company's financial position as at 30 June 2022 and of its performance for the financial year ended on that date.
- (2) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Note A confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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

Signed in accordance with a resolution of the Directors.



Kate McKenzie
Chair
4 August 2022



Stephen Rue
Chief Executive Officer
4 August 2022

Independent auditor's report



Auditor-General for Australia



INDEPENDENT AUDITOR'S REPORT

To the members of NBN Co Limited

Opinion

In my opinion, the financial report of NBN Co Limited for the year ended 30 June 2022 is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of NBN Co Limited's financial position as at 30 June 2022 and of its performance for the year then ended; and
- (b) complying with Australian Accounting Standards and the Corporations Regulations 2001.

The financial report of NBN Co Limited, which I have audited, comprises the following as at 30 June 2022 and for the year then ended:

- Statement of profit or loss and other comprehensive income;
- Statement of financial position;
- Statement of changes in equity;
- Statement of cash flows;
- Notes to the financial statements, which include a summary of significant accounting policies; and
- Directors' Declaration.

Basis for opinion

I conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report. I am independent of NBN Co Limited in accordance with the auditor independence requirements of the *Corporations Act 2001* and the relevant ethical requirements for financial report audits conducted by me. These include the relevant independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) to the extent that they are not in conflict with the *Auditor-General Act 1997*. I have also fulfilled my other responsibilities in accordance with the Code.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key audit matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial report of the current period. These matters were addressed in the context of my audit of the financial report as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

Key audit matter	How the audit addressed the matter
<p>Accuracy and occurrence of telecommunications revenue</p> <p><i>Refer to Note B1 Revenue and other income</i></p> <p>NBN Co Limited reported telecommunications revenue of \$5,004.3 million for the year ended 30 June 2022.</p> <p>I consider that the recognition of telecommunication revenue is a key audit matter due to:</p>	<p>To audit the accuracy and occurrence of telecommunication revenue, I performed the following procedures:</p> <ul style="list-style-type: none"> • evaluated the design, implementation and operating effectiveness of relevant manual, automated and IT general controls over NBN Co Limited's revenue recognition process. These include sample testing of the controls over the

- the high volume of transactions; and
 - multiple information technology (IT) systems and tools utilised in the initiation, processing and recording of transactions, including the application of product pricing, credits and rebates.
- interface between the key revenue systems and pricing change controls; and
- agreed a sample of telecommunication revenue transactions to supporting documents, such as evidence of ordering, billing and customer payment. As part of this sample test, I recalculated the price charged for each transaction and agreed it to the Wholesale Broadband Agreement that was in effect at the time of the transaction, including relevant credits and rebates.

Key audit matter

Valuation of derivatives

Refer to Note G 'Our financial risk management'

As at 30 June 2022, NBN Co Limited had derivative financial instruments of \$1,422 million assets and \$169 million liabilities.

NBN Co Limited has significant derivative financial instruments, specifically interest rate swaps and cross-currency interest rate swaps to hedge exposures to fluctuations in interest rates and foreign exchange rates.

The accounting for derivative financial instruments is considered a key audit matter due to:

- the judgements involved in determining the fair value of the derivative financial instruments, including the application of appropriate models and assumptions, such as the forward interest rate curves and credit risks; and
- the significant value of the hedged items and their corresponding derivative financial instruments and the complexity in applying hedge accounting (including the disclosure requirements) under the Australian Accounting Standards.

How the audit addressed the matter

In relation to the valuation of derivative financial instruments, I performed the following procedures:

- obtained confirmations from third parties or performed suitable alternative procedures to obtain evidence for the key terms of the derivatives at balance date;
- obtained an understanding of NBN Co Limited's policies and methodology in applying hedge accounting and assessed the appropriateness of the methodology and policies against the requirements of the Australian Accounting Standards;
- assessed the appropriateness of the methodology and assumptions adopted by NBN Co Limited to assess whether there was any evidence of error or bias in NBN Co Limited's calculation of the fair value of derivatives;
- evaluated the hedge accounting designations and hedge relationship documentation considering the requirements of the Australian Accounting Standards for a sample of derivatives; and
- examined NBN Co Limited's assessment of the effectiveness of hedging instruments in offsetting changes in cash flows of hedged items. Where there are ineffective portions of hedging instruments, I have assessed whether that was appropriately recognised in the statement of profit or loss and other comprehensive income.

Key audit matter

Accuracy and completeness of depreciation and amortisation expense

Refer to Note C3 'Property, plant and equipment' and Note C4 'Intangible assets'

NBN Co Limited's property, plant and equipment

How the audit addressed the matter

In relation to the accuracy and completeness of depreciation and amortisation, I performed the following procedures:

- considered ongoing developments to the business to assess useful lives applied
-

Independent auditor's report continued

and intangible assets combined were the largest balances on the Statement of financial position at year-end of \$34,629 million with depreciation and amortisation expense for the year ended 30 June 2022 of \$3,541 million.

I consider this to be a key audit matter because the calculation of the depreciation and amortisation expense, including the estimation of useful lives and cost allocations in the depreciation and amortisation calculations involves significant judgement and the use of complex manual depreciation models by NBN Co Limited.

- assessed the appropriateness of a sample of cost allocations in the manual depreciation calculations by comparison with the historical allocation of asset costs. These models are used to calculate depreciation for assets in use that are not yet transferred to the fixed asset register;
- re-performed the mathematical calculations for a sample of manual depreciation models; and
- tested the accuracy of a sample of in-service dates, which determine the commencement of depreciation and amortisation, to external and internal source documentation showing when construction or development was completed.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2022, but does not include the financial report and my auditor's report thereon.

My opinion on the financial report does not cover the other information and accordingly I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Directors' responsibility for the financial report

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

In preparing the financial report, the directors are responsible for assessing the ability of NBN Co Limited to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate NBN Co Limited or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

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

As part of an audit in accordance with the Australian National Audit Office Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting

from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of NBN Co Limited's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on NBN Co Limited's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause NBN Co Limited to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within NBN Co Limited to express an opinion on the financial report. I am responsible for the direction, supervision and performance of the NBN Co Limited audit. I remain solely responsible for my audit opinion.

I communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide the directors with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

Australian National Audit Office



Grant Hehir
Auditor-General

Canberra
4 August 2022

Independent limited assurance report over selected sustainability performance metrics



To: The Board of Directors of the NBN Co Limited

Independent limited assurance report over selected sustainability performance metrics included in NBN Co Limited's Annual Report for the year ended 30 June 2022

Scope

In accordance with the terms of engagement letter dated 30 June 2022, we were engaged by NBN Co Limited to perform an independent limited assurance engagement in respect of selected sustainability performance metrics (the **Subject Matter**) contained within its Annual Report for the year ended 30 June 2022 (the **Annual Report**) in accordance with the Assurance Criteria (the **Criteria**).

Subject Matter

The Subject Matter included within the scope of our engagement comprised the following performance metrics contained in the Annual Report:

Social Performance Metrics for the year ended 30 June 2022:

- Females in management - 32.4%
- Gender pay gap - 1.1%
- Employee engagement score - 81%
- Total Recordable Injury Frequency Rate (TRIFR) - 2.3
- Activations – 8.5 million

Environmental Performance Metrics for the year ended 30 June 2021:

- Total Scope 1 and Scope 2 greenhouse gas emissions - 328,833 tCO₂e
- Total energy consumed - 1,515,814 GJ

The Subject Matter did not include data sets, statements, information, systems or approaches other than the selected sustainability performance metrics outlined in the Subject Matter and related disclosures; and neither management's forward-looking statements, nor any comparisons made against historical data.

Assurance Criteria

The Assurance Criteria against which we assessed the Subject Matter was prepared by NBN Co Limited and its Sustainability Basis of Preparation is attached as an Appendix to this letter to this limited assurance opinion.

Management's responsibilities

The Management of NBN Co Limited is responsible for the Subject Matter and for the preparation of the Subject Matter in accordance with the Criteria.

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Liability limited by a scheme approved under Professional Standards Legislation.



Our Independence and Quality control

We have complied with relevant ethical requirements related to assurance engagements, which include independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

In accordance with Auditing Standard ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, Other Assurance Engagements and Related Services Engagements* the firm maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our responsibilities

Our responsibility is to express a limited assurance conclusion based on the procedures we have performed and the evidence we have obtained.

Our engagement has been conducted in accordance with the Australian Standard on Assurance Engagements (ASAE 3000) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and (ASAE 3410) *Assurance Engagements on Greenhouse Gas Statements*. These standards require that we plan and perform this engagement to obtain limited assurance about whether anything has come to our attention to indicate that the Subject Matter has not been prepared, in all material respects, in accordance with the Criteria, for the Period. The procedures we performed were based on our professional judgement and included:

- Enquiries of relevant staff responsible for preparing the Subject Matter;
- Enquiries about the design of internal controls and systems used to collect and process the Subject Matter;
- Where applicable, enquiries of third parties responsibility for the preparation of data included in the Subject Matter;
- Enquiries about the design of the systems used by third parties to collect and process the Subject Matter;
- Comparing the Subject Matter to relevant underlying sources on a sample basis;
- Reconciling the Subject Matter with underlying records;
- Undertaking analytical review procedures over data and obtaining explanations from management regarding unusual or unexpected amounts;
- Assessing the reasonableness of any material estimates made in preparing the Subject Matter; and
- Reviewing NBN Co Limited's Assurance Criteria to ensure that is appropriate for assurance and assessing the preparation and collation of the Subject Matter against the Criteria.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement and consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Accordingly, we do not express a reasonable assurance opinion.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Independent limited assurance report over selected sustainability performance metrics continued



Use of report

This report was prepared for the Board of Directors of NBN Co Limited. We disclaim any assumption of responsibility for any reliance on this report to any persons or users other than the Board of Directors of NBN Co Limited, or for any purpose other than that for which it was prepared.

Inherent limitations

Because of the inherent limitations of any assurance engagements due to the selective testing of the information examined, it is possible that fraud, error or non-compliance may occur and not be detected. A limited assurance engagement is not designed to detect all instances of non-compliance of the Subject Matter with the Criteria, as it is limited primarily to making enquiries, of management, and applying analytical procedures. The limited assurance conclusion expressed in this report has been formed on the above basis.

Conclusion

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe the Subject Matter has not been prepared, in all material respects, in accordance with the Criteria, for the following periods:

- The Social Performance Metrics, for the year ended 30 June 2022; and
- The Environmental Performance Metrics, for the year ended 30 June 2021.

PricewaterhouseCoopers

PricewaterhouseCoopers

Rosalie Wilkie

Rosalie Wilkie
Partner

Sydney
4 August 2022



Appendix – Sustainability Basis of Preparation

Metric	Basis of Preparation
Total recordable injury frequency rate (TRIFR)	<p>Total recordable injury frequency rate (TRIFR) is the total number of recordable injuries per million hours worked. TRIFR includes work related injuries that relate to an NBN Co workplace or NBN Co activity undertaken by an NBN Co employee or contractor or delivery partner (DP) employee or contractor that resulted in: fatality, permanent disability injury/illness (PDI), work-related injury/illness resulting in lost time (LTI), restricted work injury (RWI) or medical treatment injury (MTI). It does not include any first aid injury/illness.</p> <p>TRIFR is a rolling annual metric and is significantly reliant upon information provided by DPs and their contractors who undertake and complete field related activities, which includes but is not limited to network construction, customer connections and network assurance and maintenance activities. NBN Co's first priority is the safety of its people and as a result requires that all incidents are reported for evaluation. To enhance the comparability of the TRIFR metric across various periods and to measure performance against other lead and lag metrics and the broader HSE control environment, a NBN Co authorised person reviews each incident and its associated specific facts, including the environmental surroundings where the incident occurred, when determining whether an incident should be classified as a reportable work-related injury. As a consequence of this review, incidents such as animal bites and incidents occurring on the journey to-or-from home premises may be excluded from reportable injuries.</p>
Gender pay gap	<p>Gender pay gap is calculated as the difference between the average male annualised total fixed remuneration (TFR) and the average female annualised TFR divided by the average male annualised TFR as at period end.</p> <p>Total fixed remuneration includes base salary and superannuation but excludes bonuses or other discretionary remuneration. Proportional full-time equivalent of TFR is annualised in the calculation. Employees who have not designated as either male or female are excluded from the calculation.</p> <p>$(\text{Average Male Annualised TFR} - \text{Average Female Annualised TFR}) / \text{Average Male Annualised TFR}$.</p>
Females in management	<p>Females in management is the number of females in management positions expressed as a percentage of total management positions at the period end.</p> <p>Management is defined as those employees in a Senior Manager grade or above, including Executive Manager, General Manager, Executive GM, and CEO/Executive Committee.</p> <p>Employees who have not designated as either male or female are excluded from the calculation.</p>
Employee engagement	<p>Employee engagement is measured as the percentage of favourable responses, being a rating of 'agree' or 'strongly agree', to the following questions in NBN's annual CultureAmp survey:</p> <ul style="list-style-type: none"> • Given the opportunity I can see myself working here in the future • I would recommend NBN as a place to great place to work • I am proud to work here • NBN motivates me to go beyond what I would in a similar role elsewhere
Activations	<p>The number of homes and businesses connected to a plan over the nbn™ access network through a phone and internet provider (rounded to the nearest 100,000).</p>
Total Scope 1 & 2 emissions and electricity consumed	<p>NBN's Scope 1 and Scope 2 carbon emissions and electricity consumed have been measured in accordance with the criteria set out in the following:</p> <ul style="list-style-type: none"> • Section 19 of the National Greenhouse and Energy Reporting Act 2007 ("the NGER Act") • National Greenhouse and Energy Reporting Regulations 2008 ("NGER Regulations") • National Greenhouse and Energy (Measurement) Determination 2008 ("the NGER (Measurement) Determination").