



Australia's
broadband
network

Half-Year Report

FOR THE SIX MONTHS
ENDED 31 DECEMBER 2015







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The Half-Year financial statements were authorised for issue by the Board of Directors on 4 February 2016. The Directors have the power to amend and reissue the Half-Year financial statements.

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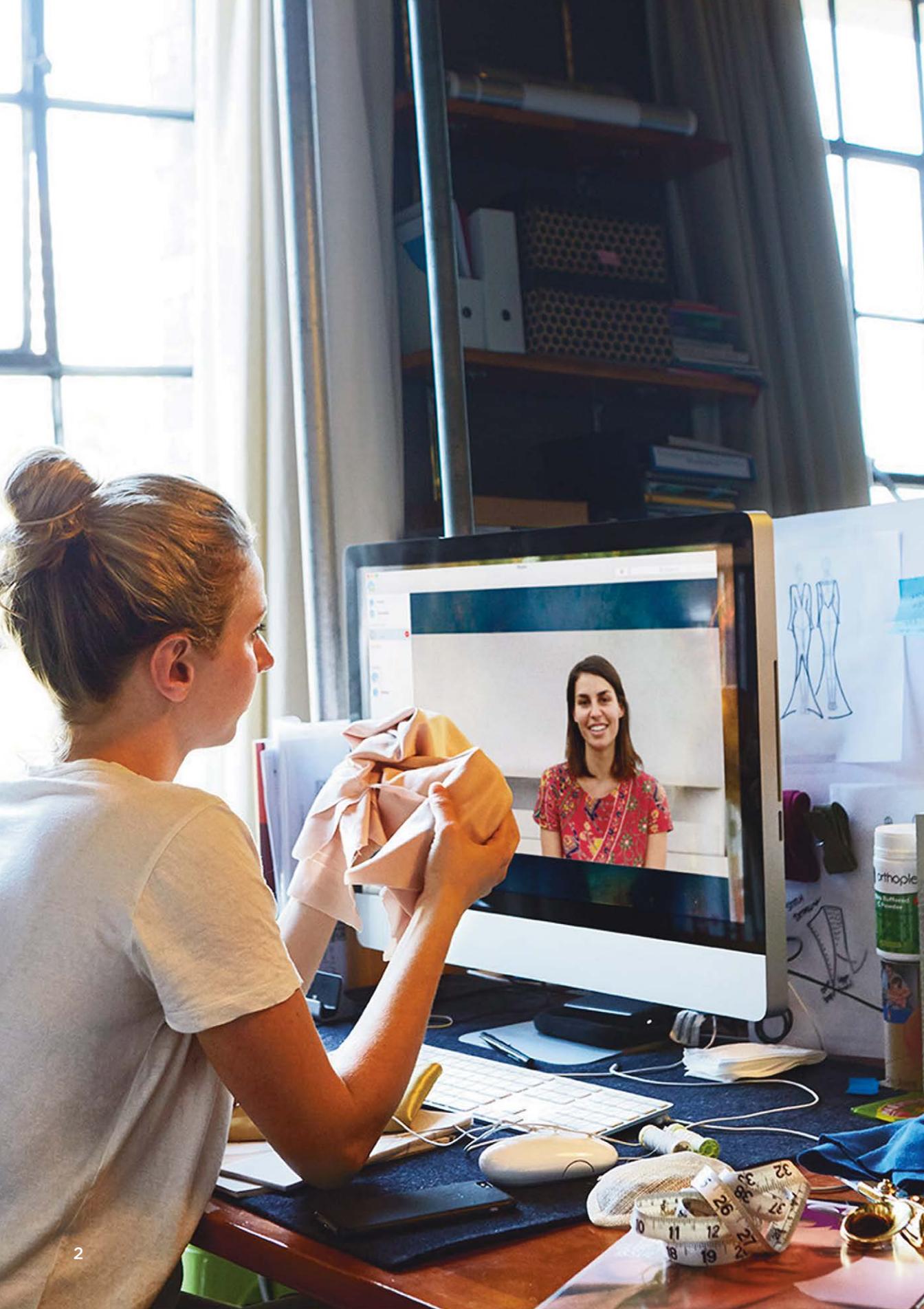
The Chief Financial Officer
nbn co limited
Level 11, 100 Arthur Street
North Sydney NSW 2060
Australia

Date

This Half-Year Report is for the six months ended 31 December 2015.

Glossary

This Half-Year Report should be read in conjunction with the glossary of terms included in the 2014-15 Annual Report.





About nbn

Established in 2009, nbn co limited (**nbn** or the Company) is owned by the Commonwealth of Australia. **nbn's** key objective is to ensure all Australians have access to very fast broadband as soon as possible, at affordable prices and at least cost to taxpayers.*

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

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

* **nbn's** current objectives are set by the Shareholder Ministers in the Statement of Expectations (SoE) dated 8 April 2014.





Our goal and strategy

nbn's goal is to connect all Australians to very fast broadband, bridging the digital divide between the city and the bush, and Australia and the world.

We aim to activate eight million homes and businesses by 2020, and ensure all homes and businesses across Australia have access to the benefits of fast internet. This will open up new opportunities in health, business, education and entertainment, driving innovation and a wide range of social benefits.

To achieve this goal, **nbn** has five strategic imperatives.

- **Build a high-performance and reliable network** with our Retail Service Providers (RSPs) that delivers modern internet access and a great experience
- **Build the processes and systems** where efficiency and effectiveness are optimised to keep costs low and output high

- **Build a united partnership** where our vendors, delivery partners and RSPs work alongside us and share in our success
- **Build affordable products and services** where our RSPs connect all Australians regardless of socio-economic status or location
- **Make nbn a great place to work** where our people flourish and results exceed expectations

Refer to pages 20-21 of the 2014-15 Annual Report for further detail and explanation of the five strategic imperatives.

The **nbn**[™] network is the largest national infrastructure project in Australia's history. Our goal to activate eight million homes and businesses by 2020 means we need to continue to scale in a rapid and efficient way in 2016.



Key HY2016 highlights

Sky Muster™
Satellite Launch
**1 October
2015**



Launch of
Workforce
Development
Program
to scale the
construction
industry force



More than
1.6 million
premises ready-for-service
+102% compared
to HY2015



Major agreements
signed to
expand industry
partnership



Total
revenue
\$164 million
+152%
compared to
HY2015



Premises activated
736,052
+128%
compared to
HY2015

**Fibre-to-
the-Node**

product
launched







Directors' report

The Directors of the Company present their report on **nbn** and its subsidiaries (the Group or the **nbn** Group), together with the consolidated Half-Year financial statements of the Group for the Half-Year ended 31 December 2015 and the auditor's review report thereon.

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

Operating and financial review

Our operating model – building and operating a very fast broadband network for all Australians

nbn is committed to delivering the nbn™ network as soon as possible and at least cost to taxpayers, aiming to activate eight million homes and businesses in Australia, and provide all premises access to very fast broadband by 2020.

As a result of the Strategic Review conducted in 2013, the nbn™ network was redesigned on an outcome basis, rather than a specific technology basis, with the aim of reaching all Australians with very fast broadband, as soon as possible in the most cost effective manner. To achieve this outcome, amongst other things nbn moved from primarily a Fibre-to-the-Premises (FTTP) model to a Multi-Technology Mix (MTM) model that takes full advantage of a range of technologies including FTTP, Fibre-to-the-Node (FTTN), Hybrid Fibre Coaxial (HFC), Fixed Wireless and Satellite.

An explanation of these technologies is set out on pages 16-17 of the 2014-15 Annual Report.

Revised agreements with Telstra and Optus

The revised strategic agreements with Telstra and Optus play an important role in the MTM model. They will enable us to complete the nbn™ network faster and at a lower cost, while maintaining future flexibility.

Following the completion of the Strategic Review, nbn renegotiated the existing agreements with Telstra and Optus for the progressive acquisition and use of certain elements of Telstra's and Optus' network assets required to deliver the MTM model.

On 26 June 2015, all of the conditions precedent to the Revised Definitive Agreements (RDAs) between nbn and Telstra were satisfied or waived. In addition to the progressive acquisition of elements of Telstra's HFC and copper networks, the RDAs continue to provide nbn with access to certain Telstra infrastructure, including ducts, pits, exchange rack space and dark fibre as well as ownership of lead-in conduits. The RDAs also continue to require Telstra to progressively disconnect premises currently connected to its copper and HFC networks (subject to exceptions for certain copper based services and pay-TV services provided over parts of the spectrum on the HFC network).

On 19 September 2015 all of the conditions precedent to the Revised Optus HFC Subscriber Agreement between nbn and Optus were satisfied. The Revised Optus HFC Subscriber Agreement provides nbn 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.

Our performance: nbn has made progress during HY2016 towards its 2020 strategic goals

nbn has achieved strong performance during the first half of FY2016 (HY2016), with a strengthening of business processes, increased premises ready-for-service and activations continuing to accelerate across the country.

The Company's performance against rollout and operational milestones is reported weekly to the Shareholder Ministers and are publicly available on nbn's website. These are the key performance indicators used to monitor the progress of the rollout. Monthly reports are provided to the Board of Directors and Shareholder Ministers. Quarterly financial statements and operational briefings are made public.

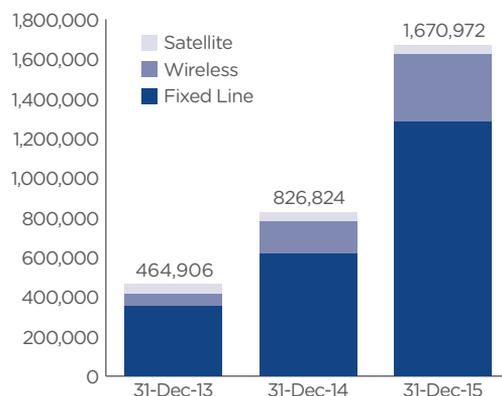
We set out in our 2016 Corporate Plan the following financial and non-financial goals (by 2020). We comment below on our performance against each of those goals for HY2016.

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

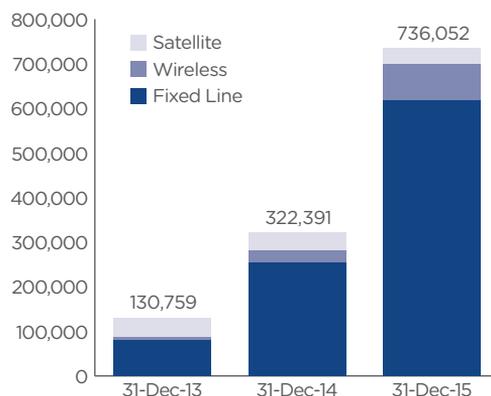
nbn has remained committed to delivering the nbn™ network across Australia and its goal to have eight million homes and businesses activated by 2020.

During the six months to 31 December 2015 (HY2016), nbn strengthened a number of elements that underpin the scalability of the nbn™ network rollout. The Company carried out successful technology trials, strengthened processes, negotiated numerous agreements with business partners and accelerated workforce recruitment. In HY2016 nbn continued to scale the MTM roll-out exponentially, as well as launching the FTTN product in September 2015.

Cumulative Premises Ready-for-Service



Cumulative Premises Activated



Fixed Line: During HY2016, more than 386,000 fixed line premises were made ready-for-service. This resulted in a total of 1,283,189 fixed line premises ready-for-service as at 31 December 2015, which is more than double the fixed line footprint as at 31 December 2014.

Rapid take-up of **nbn**TM services from RSPs saw more than a twofold increase in the total number of fixed line premises activated compared to 31 December 2014. The total number of premises with an active **nbn**TM network fixed line service reached 617,614 as at 31 December 2015.

FTTP construction will continue concurrently as the rollout of the FTTN and HFC components of the **nbn**TM network accelerates. As at 31 December 2015, 1,159,615 FTTP premises were ready-for-service and 610,978 FTTP premises activated.

The first MTM commercial product, Fibre-to-the-Basement (FTTB), was launched in March 2015. FTTB allows an accelerated rollout of broadband services to apartment complexes and high-rise buildings and is a subset of the wider FTTN product.

The Fibre-to-the-Node commercial product was launched in September 2015, following a successful end-user pilot in Belmont, NSW. The trial successfully delivered end-user speeds of up to 100/40 Mbps.*

As at 31 December 2015, 123,574 FTTN premises (which includes FTTB premises), were ready-for-service and 6,636 FTTN premises activated.

During HY2016, **nbn** commenced end-user trials of the HFC technology. Initial results are positive with trial speeds of up to 100/40 Mbps* service being successfully provided to end-users. Preparations are

underway for the commercial launch of the HFC product scheduled for the second half of FY2016.

Fixed Wireless network: Outside the fixed line footprint, the rollout of the fixed wireless program accelerated significantly, with the fixed wireless rollout surpassing 50% of total targeted premises for the technology. The number of premises ready-for-service more than doubled from the comparative period to 339,783 as at 31 December 2015. Over the same period, there was nearly a threefold increase in the number of end-users activated on the fixed wireless network to 82,435 premises.

During HY2016, **nbn** acquired a further 217 wireless sites and integrated an additional 180 base stations, bringing the cumulative total to 1,651 sites and 1,265 base stations as at 31 December 2015.

Following a successful pilot phase, **nbn** launched a 25-50/5-20 Mbps* wholesale fixed wireless service in December 2015. Access to high speed internet allows for benefits, including smooth video conferencing, fast download of large files and the ability to use multiple devices in the home or business at the same time.

Satellite network: In October 2015, **nbn** celebrated the successful launch of Sky MusterTM, the first of **nbn's** two purpose built satellites. The Sky MusterTM service is expected to provide access to over 400,000 homes and businesses, many of which are across rural and remote Australia that have not previously had access to a broadband service.

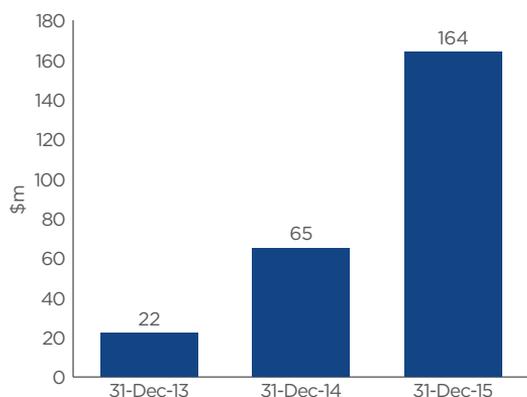
As at 31 December 2015, the final stages of testing were underway, paving the way for the scheduled launch of commercial services over the Sky MusterTM service in the second half of FY2016.

* **nbn** provides services to its wholesale customers, telephone and internet service providers, and does not provide services directly to end-users. These speeds were achieved by end-users in the context of a trial and are not necessarily reflective of the speeds that will be experienced by end-users. End-user experience including the speeds actually achieved over the **nbn**TM network depends on the technology over which services are delivered to their premises and some factors outside our control like equipment quality, software, broadband plans and how the end-user's service provider designs its network.

The service is supported by the 10 satellite ground stations completed during FY2015. Customers on the Interim Satellite Service (ISS) will be progressively migrated to the improved, world-class Long Term Satellite Service (LTSS), following its commercial launch.

Progress against our goal - Annual revenue of \$4 billion by 2020

Total Revenue



nbn continues to increase the number of premises activated, driving exponential year-on-year growth in revenue. In HY2016, total revenue grew 152 per cent compared with HY2015 to \$164 million, with average revenue per user (ARPU) increasing to \$43 for the six month period ended 31 December 2015.

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

nbn remains focused on building the nbn™ network in the most efficient and cost-effective way. At 31 December 2015, total funding received from the Australian Government was \$16,385 million (30 June 2015: \$13,185 million).

nbn has continued to invest in capabilities that enable a faster rollout of the nbn™ network at least cost to taxpayers.

Progress against our goal - Customer experience metric (CEM) rating of at least 8 by 2020

The customer experience metric (CEM) is a measure of retail and wholesale service provider customers' feelings about working with nbn. While nbn is committed to deploying the nbn™ network efficiently, we also have a strong focus on ensuring the satisfaction of nbn customers is maintained throughout the process.

nbn achieved a CEM rating of 6.6 (out of 10) in June 2015 and continues to implement a range of initiatives to improve end-user and customer experience.

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

nbn had a strong participation rate in the most recent interim employee engagement or 'pulse' survey conducted during the period. The results of the interim employee engagement show an improvement in employee engagement, reflecting our commitment to our employees of making nbn a great place to work.

Management are using the findings of this survey to further improve nbn's culture as well as maintaining a high employee retention rate.

Risk management

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

The Audit and Risk Committee oversees the delivery and effective implementation of nbn's risk management system.

nbn's Risk Management Framework is based on the Three Lines of Defence model which clarifies roles and accountabilities and incorporates an Integrated Assurance operating model across all Line Two Assurance functions. This enables a holistic and coordinated approach to the provision of assurance over risks and controls.

Risks and controls are reviewed and monitored on a regular basis. nbn has identified a number of risks critical to the build and operation of the nbn™ network, and to nbn meeting the Australian Government's commitments and its strategic objectives. Critical risks are reviewed, revised and reported to the Board of Directors on a bi-annual basis through the Audit and Risk Committee.

The critical risks considered most likely to impact nbn if they were to materialise are:

- **Significant Health, Safety and Environment (HSE) event** due to the HSE Management Program experiencing a material failure;
- **Delay in releasing footprint at scale** due to internal (processes, resources and systems) or external factors (failure of a strategic partner to deliver or supply chain disruption);
- **Inability to appropriately respond to a large scale network disruption**, resulting in a wide scale network failure and associated disruption of other dependant services;
- **Security incident** pertaining to nbn assets, buildings, IT infrastructure and core systems;
- **Inability to achieve planned or increased average revenue per user** due to inadequate products, service mix, unforeseen cost exposure, lack of market penetration in high value segments or regulatory intervention;
- **Failure to attract and retain critical capabilities and maintain corporate knowledge**; and
- **Serious misconduct or fraudulent event** (be it internal and/or committed by external partners).

The above critical risks are monitored on a regular basis by the Executive Team, Audit and Risk Committee and Board of Directors who review the development and implementation of key mitigation plans and actions.

Financial performance and position

Financial highlights

Key financial data for the six months ended 31 December	2015 \$m	2014 \$m	2013 \$m
Total revenue	164	65	22
EBITDA	(688)	(497)	(478)
Net loss after tax	(1,239)	(902)	(716)
Total assets	15,331	10,936	7,674
Contributed equity	16,385	10,395	6,478
Capital expenditure*	2,127	1,433	1,188

For the six months ended 31 December 2015, the Group generated total revenue of \$164 million, a loss before interest, tax, other income, depreciation and amortisation (EBITDA) of \$688 million, and a net loss after tax of \$1,239 million. This loss reflects the early stage investment in capital expenditure and operational cost as **nbn** builds a substantial business into the future.

At 31 December 2015, **nbn** had total assets of \$15,331 million, an increase of \$2,072 million compared to 30 June 2015, primarily driven by \$2,127 million in capital expenditure on property, plant and equipment (including network assets) and intangible assets.

During HY2016, **nbn** received Commonwealth Government equity injections of \$3,200 million, which were primarily used in acquiring property, plant and equipment and intangible assets, and in supporting operational requirements.

* Capital expenditure excludes additions of leased assets, gifted assets and items of property, plant and equipment that are classified as inventories for internal reporting purposes.



Total assets
\$15,331 million
+\$2,072 million compared
to 30 June 2015

Financial Performance

Revenue

Total revenue for the six months ended 31 December	2015 \$m	2014 \$m	2013 \$m
FTTP	91	36	10
FTTN	0	-	-
Fixed Wireless	12	4	1
Satellite	5	6	6
Connectivity	51	18	5
Telecommunications revenue	159	64	22
Other revenue	5	1	-
Total revenue	164	65	22
Average revenue per user (ARPU) - (\$)	\$43	\$39	\$36

Total revenue for HY2016 increased by \$99 million or 152 per cent compared with HY2015 to \$164 million, driven by a 413,661 or a 128 per cent increase in active premises to 736,052 and a \$4 increase in ARPU to \$43.

Fixed Line: FTTP revenue for HY2016 increased by \$55 million or 153 per cent compared with HY2015 to \$91 million, driven by a 141 per cent increase in the number of end-users on the FTTP network (from 253,883 to 610,978).

Following the launch of commercial services from the FTTN network in September 2015, FTTN revenue for HY2016 totalled \$0.3 million, generated from 6,636 end-users connected on the FTTN network.

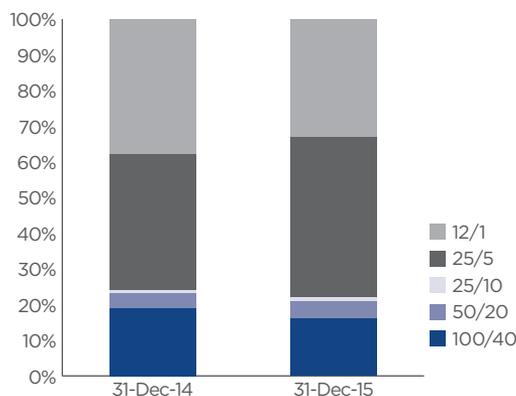
The speed tier mix of end-users also contributed to the positive revenue result. As at 31 December 2015, 16 per cent of nbn's fixed line services used a 100/40 Mbps* wholesale speed tier (31 December 2014: 19 per cent), 45 per cent used a 25/5 Mbps* wholesale speed tier (31 December 2014: 38 per cent), and 33 per cent used a 12/1 Mbps* wholesale speed tier (31 December 2014: 38 per cent).

The average speed provisioned across all fixed line wholesale services was 34 Mbps*, a slight decrease from 35 Mbps* at 31 December 2014.

* The nbn™ network is being designed to provide these peak speeds to nbn's wholesale customers, telephone and internet service providers at nbn's network boundary. End-user experience, including the speeds actually achieved over the nbn™ network, depends on the technology over which services are delivered to premises and some factors outside nbn's control, such as end-user equipment quality, software, retail broadband plans and how the retail service provider designs its network.

Speed tiers are illustrated below:

Fixed Line Speed Tier Mix



Fixed Wireless: Fixed wireless revenue comprises revenue generated from nbn's fixed wireless products, which are offered over three wholesale speed tiers 12/1 Mbps*, 25/5 Mbps* and 25-50/5-20 Mbps*. Fixed wireless revenue nearly tripled in HY2016 compared with HY2015 to \$12 million, driven by a nearly threefold increase in the number of end-users on the fixed wireless network (from 27,792 to 82,435).

As at 31 December 2015, 83 per cent of nbn's fixed wireless services used a 25/5 Mbps* wholesale speed tier (31 December 2014: 74 per cent).

Satellite: Satellite revenue comprises revenue generated from nbn's ISS. In HY2016, satellite revenue of \$5 million was lower than HY2015 by \$1 million. This is in line with expectations in the lead up to the launch of commercial services from the purpose-built communication satellite, Sky Muster™ scheduled for the second half of FY2016.

Connectivity revenue: Connectivity revenue increased by \$33 million compared with HY2015 to \$51 million in HY2016. The increase in connectivity revenue is driven principally by a greater demand for capacity and an increase in active end-users.

Average revenue per user (ARPU): Across the network, revenue was generated from 736,052 active premises at a year-to-date weighted ARPU of \$43 for the six months ended 31 December 2015 (six months ended 31 December 2014: \$39). The increase in ARPU was primarily due to greater demand for CVC capacity.

* The nbn™ network is being designed to provide these peak speeds to nbn's wholesale customers, telephone and internet service providers at nbn's network boundary. End-user experience, including the speeds actually achieved over the nbn™ network, depends on the technology over which services are delivered to premises and some factors outside nbn's control, such as end-user equipment quality, software, retail broadband plans and how the retail service provider designs its network.

Connectivity revenue
+\$33 million
compared to the
same period
in FY2015

FTTP revenue
\$91 million
2.5x HY2015

Expenditure

Expenditure for the six months ended 31 December	2015 \$m	2014 \$m	2013 \$m
Telecommunication and network costs	376	226	164
Employee benefits expenses	284	176	189
Advisory, corporate and outsourced services	46	55	42
IT and software expenses	69	58	57
Communication and public information	19	8	5
Other expenses	58	39	43
Total operating expenditure	852	562	500
Depreciation and amortisation expense	402	283	169
Finance charges - leased assets	160	148	95
Total expenditure	1,414	993	764

Total expenditure in HY2016 increased by \$421 million or 42 per cent compared with HY2015 to \$1,414 million. The key drivers include:

Telecommunication and network costs increased by \$150 million to \$376 million. These costs primarily relate to customer disconnection and migration costs as well as operational and assurance service costs for the access networks. The increase in these costs were primarily driven by the underlying growth of the network and end-user activations, as well as increased customer disconnection and migration costs, as customers continue to disconnect and migrate from the Telstra and Optus networks.

Employee benefits expenses increased by \$108 million to \$284 million. Employee related expenses include costs relating to **nbn** employees, labour hire and contractors (net of amounts that have been capitalised and included in the cost of non-current assets).

The growth in employee benefits expenses was primarily driven by a 39 per cent increase in the employee head count, from 3,010 at 31 December 2014 to 4,191 at 31 December 2015 as **nbn** continues to grow.

Advisory, corporate and outsourced services costs declined by \$9 million to \$46 million. HY2015 included costs to define and establish operations as well as renegotiate significant contracts. Advisory, corporate and outsourced services expenditure includes management and strategic consulting expenses, advisory expenses and expenditure relating to outsourced functions.

IT and software expenses increased by \$11 million to \$69 million, reflecting growth in application licences, support and maintenance costs, as well as increased IT security costs.

Communication and public information costs increased by \$11 million to \$19 million, reflecting the growth in available footprint. This expenditure is associated with media campaigns as well as educating end-users on how to connect to the nbn™ network.

Other expenses increased by \$19 million to \$58 million. This is driven by the growth of nbn and includes travel costs, occupancy expenses and other miscellaneous expenditure.

Depreciation and amortisation expense increased by \$119 million to \$402 million, reflecting the expansion of the nbn™ network rollout and an increase in assets placed into service during HY2016.

Finance charges – leased assets primarily relate to the accounting convention for assets treated as finance leases under long-term right-of-use arrangements. These charges increased by \$12 million to \$160 million, driven by increased infrastructure supplied by Telstra under right-of-use arrangements.



Capital expenditure*

Capital expenditure for the six months ended 31 December	2015 \$m	2014 \$m	2013 \$m
Transit network	109	125	236
FTTP network	669	756	398
FTTN network	599	41	-
Fixed Wireless network	180	145	125
HFC network	151	-	-
Satellite network	91	175	287
Common capital expenditure	328	191	142
Total capital expenditure	2,127	1,433	1,188

Capital expenditure incurred during HY2016 was \$2,127 million, an increase of \$694 million compared to HY2015. The key drivers of capital expenditure are outlined below.

Transit network: Capital expenditure of \$109 million incurred during HY2016 includes the construction of an additional 24 transit fibre rings. This expenditure is required to enable connectivity between each of the access networks and RSP interconnection.

FTTP network: Capital expenditure incurred constructing the FTTP network and connecting end-users to the FTTP network during HY2016 was \$669 million, comprising capital expenditure of \$586 million on the brownfield FTTP network and \$83 million on the greenfield FTTP network.

FTTN network: During HY2016, \$599 million of capital expenditure was incurred for design and construction activities for over 800 serving area modules reflecting the ongoing build of the FTTN network.

Fixed Wireless network: During HY2016, capital expenditure incurred for the fixed wireless network was \$180 million. This capital expenditure reflects the acquisition of a further 217 wireless sites during the period and the integration of an additional 180 base stations.

HFC network: During HY2016, \$151 million in capital expenditure was incurred on the development of the HFC network, predominately relating to upgrading the Data Over Cable Service Interface Specification (DOCSIS) technology and procurement of associated network equipment.

* Capital expenditure excludes additions of leased assets, gifted assets and items of property, plant and equipment that are classified as inventories for internal reporting purposes.

Satellite network: Capital expenditure for the Long Term Satellite Service for HY2016 was \$91 million. This expenditure primarily relates to milestone payments for the build and launch of nbn's two purpose built satellites.

Common capital expenditure: \$328 million was incurred during HY2016 for common capital expenditure. This includes operational and business support systems, largely related to the development of our FTTN and HFC network platforms to support these technologies.

Equity funding

The Australian Government contributed \$3,200 million in equity during HY2016. At 31 December 2015, total Government investment was \$16,385 million.

Cost per premises

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

Cost per premises	31-Dec-15 \$	30-Jun-15 \$
Brownfield FTTP network	4,419	4,387
Greenfield FTTP network	2,770	2,798
FTTN Network	2,300	-
Fixed Wireless network	3,516	3,595

Brownfield FTTP network

The CPP increase during HY2016 is primarily driven by higher customer connection costs due to a higher volume of complex connections, removal of blockages and construction of new lead-ins where existing lead-ins could not be remediated.

Greenfield FTTP network

The CPP decrease during HY2016 was driven by additional premises connecting to temporary transit infrastructure (TFAN/TTFN), as new developments expand, thereby reducing CPP.

FTTN network

The CPP for FTTN is currently in line with the expectation set out in the 2016 Corporate Plan, which was released by the Company in August 2015 (refer to page 67 of the 2016 Corporate Plan for further details).

Fixed Wireless network

The CPP decrease during HY2016 reflects an increase in the average number of premises serviced by each wireless base station.

Board of Directors

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



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

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

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

He is a Fellow of the Australian Academy of Technological Sciences, the Australian Academy of Science and the Australian Institute of Company Directors.

Dr Switkowski's current term will expire on 2 October 2016.



Mr Patrick Flannigan (Non-Executive Director) was appointed as a Director on 11 November 2013. Mr Flannigan brings more than 25 years experience in infrastructure services and has held senior roles in both private and publicly listed companies.

Mr Flannigan established his own business, Integrated Maintenance Services in 2000 and was the founding Managing Director and Chief Executive Officer of Service Stream Ltd for six years from 2003. He managed network construction as **nbn's** Head of Construction from 2009 to early 2011. In 2011, Mr Flannigan founded Utility Services Group and served as the Chief Executive Officer and Managing Director until 30 June 2015 when the company was acquired by an ASX listed company.

Mr Flannigan is a Fellow of the Australian Institute of Management and the Australian Institute of Company Directors, and holds a Board position at the Australian Grand Prix Corporation.

Mr Flannigan's current term will expire on 10 November 2016.



Mr Simon Hackett (Non-Executive Director) was appointed as a Director on 11 November 2013. Mr Hackett brings more than 25 years internet industry experience and has been a noted opinion leader in the broadband debate for many years.

Mr Hackett holds a Bachelor of Science degree from the University of Adelaide. While working at the university, he became a part of the team that created the Australian Academic and Research Network (AARNet), the first emergence of the internet in Australia.

He founded internet service provider, Internode in 1991 and licensed carrier Agile in 1997. The group grew to be a national provider of internet services using ADSL2+, optical fibre and fixed wireless infrastructure. Internode was one of the first companies to connect to the nbn™ network in 2010. The group was sold to iiNet Limited in early 2012.

Mr Hackett is a Fellow of the Australian Institute of Company Directors and the Australian Computer Society.

Mr Hackett's current term will expire on 10 November 2016.



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

Ms In't Veld is currently a Non-Executive Director of Asciano, DUET Group and Perth Airport and is a Board member of the CSIRO. In 2014, Ms In't Veld was Chairman of the Queensland Government Expert Electricity Panel and a member of the Renewable Energy Target Review Panel for the Department of Prime Minister and Cabinet and was until recently a Council member of the WA AICD and an Advisory Board member of the SMART Infrastructure Facility (University of Wollongong). She holds a Bachelor of Laws (Hons) and a Bachelor of Commerce from the University of Melbourne.

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



Ms Alison Lansley (Non-Executive Director) was appointed as a Director on 7 December 2012. Ms Lansley is an experienced corporate lawyer and business leader, with a long standing connection with the Australian telecommunications industry. She was a partner in the mergers and acquisitions practice of Mallesons Stephen Jaques for more than 16 years. She is currently a Non-Executive Director of Schools Connect Australia Limited, Port Fairy Spring Music Festival Inc. and Community Food Marketplace Limited.

Ms Lansley previously served on a number of boards and authorities, including the Melbourne 2006 Commonwealth Games Corporation, the Takeovers Panel, the Financial Services Institute of Australasia, and the national listing committee of the Australian Stock Exchange, and she headed the Victorian regional council of the Australian charity Redkite for several years.

Ms Lansley's term expired on 6 December 2015.



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

He is Chairman of MYOB Group Ltd, Chairman of NetComm Wireless Ltd, and a Non-Executive Director of Tabcorp Holdings Ltd, Members Equity Bank Ltd and SMS Management & Technology Ltd.

Mr Milne's current term will expire on 10 November 2016.



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

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

Prior to his present role, Mr Morrow served as CEO of Vodafone Hutchison Australia in Sydney, CEO of Clearwire Corporation in Seattle, and CEO of Pacific Gas & Electric Co. in San Francisco. Previously, he was CEO of Vodafone's Europe region through Vodafone Group PLC, and ran the group's businesses in Japan and the UK. He is currently a Director of Broadcom Corporation.

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

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



Dr Kerry Schott AO (Non-Executive Director) was appointed as a Director on 28 September 2012. Dr Schott is Chairman of the Moorebank Intermodal Company Ltd, a Director of TCorp NSW, Infrastructure Australia, the Whitlam Institute Board and a Patron and Board member of Infrastructure Partnerships Australia.

She is currently on the advisory boards of HealthShare and the Sydney Light Rail Project. She was the Managing Director and CEO of Sydney Water from 2006 to 2011 and was the CEO of the Commission of Audit for the NSW Government that completed in early 2012. She worked as an investment banker for more than 12 years including as Managing Director of Deutsche Bank and Executive Vice President of Bankers Trust Australia. Prior to becoming an investment banker, Dr Schott was a public servant and an academic.

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

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

Significant events subsequent to reporting date

On 29 January 2016, nbn received \$700 million in equity funding from the Commonwealth Government.

Except for the item noted above, no other matter or circumstance has arisen since 31 December 2015 to the date of the signing of this report that has significantly affected, or may affect:

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

Rounding of amounts

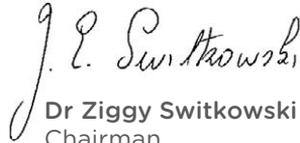
The Group is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the consolidated financial statements and Directors' report have been rounded off to the nearest million dollars, unless otherwise stated.

Auditor independence

The Directors received an independence declaration from the Auditor-General.

A copy of this report has been included with the financial statements.

Signed in accordance with a resolution of the Directors.



Dr Ziggy Switkowski AO
Chairman



Bill Morrow
Chief Executive Officer

4 February 2016



Auditor-General for Australia



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

nbn co limited Half-Year Financial Report for the period ended 31 December 2015

AUDITORS INDEPENDENCE DECLARATION

In relation to my review of the Half-Year Financial Report of the **nbn** Group (comprising nbn co limited and the entities it controlled at the period's end or from time to time during the Half-Year ended 31 December 2015), to the best of my knowledge and belief, there have been:

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

Australian National Audit Office

A handwritten signature in black ink that reads 'Grant Hehir'.

Grant Hehir
Auditor-General

Canberra
4 February 2016



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Financial statements

Statement of profit or loss and other comprehensive income

For the six months ended	Notes	nbn Group	
		31 December 2015 \$m	31 December 2014 \$m
Revenue			
Telecommunications revenue		159	64
Other revenue		5	1
Total revenue		164	65
Interest income		13	10
Other income		5	4
Expenses			
Telecommunication and network costs		(376)	(226)
Employee benefits expenses		(284)	(176)
Advisory, corporate and outsourced services		(46)	(55)
IT and software expenses		(69)	(58)
Communication and public information		(19)	(8)
Depreciation and amortisation expense	3,4	(402)	(283)
Other expenses		(58)	(39)
Finance charges - leased assets		(160)	(148)
Total expenses		(1,414)	(993)
Loss before income tax		(1,232)	(914)
Income tax (expense)/benefit		(7)	12
Loss for the period		(1,239)	(902)
Loss attributable to the shareholder		(1,239)	(902)
Other comprehensive (loss)/income			
<i>Items that may be reclassified to profit or loss</i>			
Changes in the fair value of cash flow hedges		(24)	39
Income tax benefit/(expense) relating to components of other comprehensive income		7	(12)
Total other comprehensive (loss)/income for the period, net of tax		(17)	27
Total comprehensive loss for the period		(1,256)	(875)
Total comprehensive loss attributable to the shareholder		(1,256)	(875)

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

Statement of financial position

As at	Notes	nbn Group	
		31 December 2015 \$m	30 June 2015 \$m
Current assets			
Cash and cash equivalents		1,001	948
Trade and other receivables		95	79
Inventories		20	16
Derivative financial assets		34	57
Held to maturity investments		299	290
Other current assets		54	64
Total current assets		1,503	1,454
Non-current assets			
Property, plant & equipment	3	12,684	10,839
Intangible assets	4	1,135	958
Other non-current assets		9	8
Total non-current assets		13,828	11,805
Total assets		15,331	13,259
Current liabilities			
Trade and other payables		1,205	1,298
Other liabilities		10	9
Other financial liabilities	5	139	148
Derivative financial liabilities		1	-
Provisions		88	85
Total current liabilities		1,443	1,540
Non-current liabilities			
Trade and other payables		5	22
Other liabilities		321	285
Other financial liabilities	5	3,877	3,678
Provisions		33	26
Total non-current liabilities		4,236	4,011
Total liabilities		5,679	5,551
Net assets		9,652	7,708
Equity			
Contributed equity	6	16,385	13,185
Other reserves		24	41
Accumulated losses		(6,757)	(5,518)
Total equity		9,652	7,708

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

Statement of changes in equity

	nbn Group			
	Accumulated losses \$m	Contributed equity \$m	Other reserves \$m	Total equity \$m
Balance at 30 June 2014	(3,499)	8,418	5	4,924
Loss for the period	(902)	-	-	(902)
Other comprehensive income	-	-	27	27
Total comprehensive (loss)/income for the period	(902)	-	27	(875)
Transactions with owners in their capacity as owners:				
Contributions of equity	-	1,977	-	1,977
Balance at 31 December 2014	(4,401)	10,395	32	6,026
Balance at 30 June 2015	(5,518)	13,185	41	7,708
Loss for the period	(1,239)	-	-	(1,239)
Other comprehensive loss	-	-	(17)	(17)
Total comprehensive loss for the period	(1,239)	-	(17)	(1,256)
Transactions with owners in their capacity as owners:				
Contributions of equity	-	3,200	-	3,200
Balance at 31 December 2015	(6,757)	16,385	24	9,652

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

Statement of cash flows

For the six months ended	nbn Group	
	31 December 2015 \$m	31 December 2014 \$m
Cash flows from operating activities		
Receipts from customers	175	65
Payments to suppliers and employees	(844)	(520)
Interest received	12	9
Net cash used in operating activities	(657)	(446)
Cash flows from investing activities		
Receipts from held to maturity investments	305	256
Payments for held to maturity investments	(314)	(263)
Payments for property, plant and equipment	(2,049)	(1,215)
Payments for intangible assets	(266)	(172)
Net cash used in investing activities	(2,324)	(1,394)
Cash flows from financing activities		
Payments for finance leases and right-of-use licences	(166)	(145)
Equity injection for ordinary shares by the Commonwealth of Australia	3,200	1,977
Net cash provided by financing activities	3,034	1,832
Net increase/(decrease) in cash and cash equivalents	53	(8)
Cash and cash equivalents at the beginning of the period	948	499
Cash and cash equivalents at the end of the period	1,001	491

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

Notes to the financial statements

1. Summary of significant accounting policies

nbn co limited (the Company, **nbn** or the parent entity) is an unlisted public company incorporated and domiciled in Australia. It is a company limited by shares and is wholly owned by the Commonwealth of Australia. The Half-Year Financial Report, comprising of the consolidated Half-Year financial statements and notes to the financial statements, for the Half-Year ended 31 December 2015, comprises the Company and its subsidiaries (together referred to as the **nbn** Group or the Group).

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

(a) Basis of preparation

This non-statutory Half-Year Financial Report has been prepared in accordance with Australian Accounting Standards Board (AASB) 134 *Interim Financial Reporting*. The Half-Year Financial Report does not include notes of the type normally included in an Annual Financial Report and should be read in conjunction with the most recent Annual Financial Report for the year ended 30 June 2015.

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

The Half-Year Financial Report is presented in Australian dollars and values are rounded to the nearest million dollars unless otherwise stated.

The Company is incorporated under the *Corporations Act 2001* and is subject to *inter alia* the *National Broadband Network Companies Act 2011 (Cth)*. Consolidated annual financial statements are also required by the *Public Governance, Performance and Accountability Act 2013* (PGPA Act).

The accounting policies have been consistently applied to all periods presented in these consolidated financial statements and are consistent with those outlined on pages 74-87 of the 2014-15 Annual Report, unless otherwise stated.

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

(i) Going concern

The Half-Year Financial Report has been prepared on a going concern basis, which contemplates the continuity of normal operations and the remaining available equity funding from the Commonwealth Government of \$13.1 billion at 31 December 2015 (Note 6).

The Half-Year Financial Report has been prepared on the basis that **nbn** will continue to operate in accordance with the policy directions provided by the Commonwealth Government as set out in the Statement of Expectations issued on 8 April 2014.

(ii) Basis of Consolidation

The Half-Year Financial Report incorporates the assets and liabilities of the Group as at 31 December 2015 and the results of the Group for the Half-Year ended 31 December 2015.

Subsidiaries are all those entities (including special purpose entities) over which the Group has control. The subsidiaries of **nbn** and the method of accounting is unchanged from that reported at 30 June 2015.

(iii) Functional and presentation currency

This Half-Year Financial Report is presented in Australian dollars, which is the Group's functional currency.

The Group is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, all financial information presented in Australian dollars has been rounded to the nearest million, unless otherwise stated.

(b) New standards and interpretations available for early adoption

Certain new accounting standards, amendments to existing standards and interpretations have been published that are not mandatory for the 31 December 2015 reporting period. These standards, amendments to existing standards and interpretations have not been early adopted by the Group. The Directors have not fully assessed the impact of these new and amended standards and interpretations (to the extent that they are relevant to the Group). Unless otherwise stated, it is not expected these amendments will materially impact the consolidated financial statements of the Group. A summary of these new standards, amendments to existing standards and interpretations that may have an impact is set out as follows.

(i) AASB 9 Financial Instruments

AASB 9 *Financial Instruments* addresses the classification and measurement of financial assets and financial liabilities and it also sets out new rules for hedge accounting. The standard will impact the annual reporting period commencing 1 July 2018.

Notes to the financial statements

1. Summary of significant accounting policies *continued*

(ii) AASB 15 Revenue from Contracts with Customers and AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15

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

(iii) AASB 2015-2 Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 101

The amendments do not require any significant changes to current practice, but should facilitate improved reporting, including an emphasis on only including material disclosures, clarity on the aggregation and disaggregation of line items, the presentation of subtotals, the ordering of notes and the identification of significant accounting policies. The amendments will impact the annual reporting period commencing 1 July 2016.

(c) Foreign currency translation

Foreign currency transactions are translated into the functional currency of the Group 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 period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

2. Significant accounting judgements, estimates and assumptions

In applying the Group's accounting policies, the Group has made certain judgements and estimates on the amounts recorded in the Half-Year Financial Report. The principal accounting estimates adopted in the preparation of this Half-Year Financial Report are consistent with those set out on pages 88-89 of the 2014-15 Annual Report. These estimates have been consistently applied to all the periods presented, unless otherwise stated.

3. Property, plant and equipment

	nbn Group						Total \$m
	Freehold land \$m	Buildings and leasehold improve- ments \$m	Furniture and equipment \$m	IT equipment \$m	Network assets \$m		
At 30 June 2015							
Cost	13	360	11	48	11,295	11,727	
Accumulated depreciation	-	(66)	(8)	(29)	(785)	(888)	
Net book value	13	294	3	19	10,510	10,839	
Period ended 31 December 2015							
Opening net book value	13	294	3	19	10,510	10,839	
Additions	-	8	2	9	2,138	2,157	
Reclassification	-	-	-	36	(36)	-	
Depreciation charge	-	(16)	(1)	(8)	(287)	(312)	
Reclassification	-	-	-	(16)	16	-	
Net book value	13	286	4	40	12,341	12,684	
At 31 December 2015							
Cost	13	368	13	93	13,397	13,884	
Accumulated depreciation	-	(82)	(9)	(53)	(1,056)	(1,200)	
Net book value	13	286	4	40	12,341	12,684	

Property, plant and equipment is analysed as follows:

	nbn Group	
	31 December 2015 \$m	30 June 2015 \$m
Constructed and purchased assets	5,137	3,972
Assets in the course of construction	3,589	3,049
Leased assets	3,627	3,524
Assets acquired for no consideration and under government grant	331	294
Property, plant and equipment - net book value	12,684	10,839

Notes to the financial statements

3. Property, plant and equipment *continued*

(a) Assets in the course of construction

The carrying value of property, plant and equipment includes \$3,589 million (30 June 2015: \$3,049 million) of expenditure on assets which are in the course of construction. The majority of assets in the course of construction are nbn™ network assets. As these assets have not been installed and are not ready for use, no depreciation is charged on these assets.

(b) Non-current assets pledged as security

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

4. Intangible assets

	nbn Group			Total \$m
	Software \$m	Licences \$m	Other \$m	
At 30 June 2015				
Cost	1,272	143	12	1,427
Accumulated amortisation	(346)	(119)	(4)	(469)
Net book value	926	24	8	958
Period ended 31 December 2015				
Opening net book value	926	24	8	958
Additions	252	15	-	267
Amortisation	(85)	(1)	(4)	(90)
Net book value	1,093	38	4	1,135
At 31 December 2015				
Cost	1,524	158	12	1,694
Accumulated amortisation	(431)	(120)	(8)	(559)
Net book value	1,093	38	4	1,135

(a) Assets in the course of construction

The carrying amount of the intangible assets includes expenditure recognised on assets which are in the course of construction. As these assets have not been installed and are not ready for use, no amortisation is recognised on these assets. Total software assets in the course of construction are \$305 million (30 June 2015: \$278 million).

5. Other financial liabilities

	nbn Group	
	31 December 2015 \$m	30 June 2015 \$m
Current		
Lease liabilities and right-of-use licences	139	148
Total	139	148

	nbn Group	
	31 December 2015 \$m	30 June 2015 \$m
Non-current		
Lease liabilities and right-of-use licences	3,877	3,678
Total	3,877	3,678

The majority of other financial liabilities relates to right-of-use licences to access Telstra's network infrastructure, including ducts, pits, exchange rack space and dark fibre. These right-of-use licences are accounted for as finance leases. The Group also leases industrial buildings under finance lease arrangements with various occupancy terms of up to 20 years.

6. Contributed equity

(a) Movements in ordinary share capital

	Number of shares	Issue price \$	Value of shares \$m
Opening Balance at 30 June 2015	13,185,445,092	1.00	13,185
Equity injections	3,200,000,000	1.00	3,200
Total contributed equity at 31 December 2015	16,385,445,092	1.00	16,385

Notes to the financial statements

6. Contributed equity *continued*

(b) Equity funding

On 22 June 2011, the Commonwealth and **nbn** entered into an Equity Funding Agreement, whereby the Commonwealth provided assurances to the Company in relation to the provision of equity funding until 30 June 2021 unless terminated earlier.

With effect from 19 March 2014, the Equity Funding Agreement was amended to, *inter alia*, limit capital to \$29.5 billion.

As at 31 December 2015, a total of \$16.4 billion had been made available to the Company, and the expected future equity funding available to the Company as at 31 December 2015 was \$13.1 billion.

7. Significant contractual arrangements

nbn has entered into a large 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** has entered into strategic agreements with Telstra and Optus that provide **nbn** with the required infrastructure to deliver very fast broadband to all Australians. These strategic agreements are essential to **nbn** in regard to its ability to achieve its short and long-term objectives.

nbn's significant contractual arrangements are stated within pages 105-107 of the 2014-15 Annual Report, and have not significantly changed from 30 June 2015, with the exception of the update provided below:

Revised Optus HFC Subscriber Agreement

On 14 December 2014, **nbn** and Optus announced they had signed agreements (the Revised HFC Subscriber Agreement) amending the 2011 Optus HFC Subscriber Agreement. The Revised HFC Subscriber Agreement provides **nbn** with the option to acquire elements of Optus' HFC network where it is efficient and/or cost effective to do so, which will be used as an access technology, as part of the overall design 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. Such payments are expensed in full when incurred. The Revised HFC Subscriber Agreement is subject to a number of conditions precedent, which were satisfied on 19 September 2015.

8. Commitments

(a) Capital commitments

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.

The long-term nature of **nbn's** capital commitments under the RDAs, 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 below. Other capital commitments beyond 12 months have also been discounted.

Payments to Telstra in exchange for Telstra disconnecting premises from its copper and HFC networks are excluded from the capital commitments disclosure as the payments do not constitute capital expenditure.

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

	nbn Group	
	31 December 2015 \$m	30 June 2015 \$m
Within one year	1,996	1,464
Later than one year but not later than five years	2,171	2,236
Later than five years	3,588	3,587
Total capital commitments	7,755	7,287

(b) Finance leases

The agreements with Telstra provide **nbn** with access rights to various infrastructure, including dark fibre, exchange rack space in exchange buildings, ducts and associated duct infrastructure, which are recognised as finance lease liabilities. In addition, finance lease liabilities have been recognised for certain property leases of industrial buildings.

Notes to the financial statements

8. Commitments *continued*

	nbn Group	
	31 December 2015 \$m	30 June 2015 \$m
Finance lease and right-of-use licences are payable as follows:		
Within one year	443	445
Later than one year but not later than five years	1,396	1,315
Later than five years	9,127	8,793
Minimum lease payments	10,966	10,553
Future finance charges	(6,950)	(6,727)
Recognised as a liability	4,016	3,826
Representing lease liabilities:		
Current	139	148
Non-current	3,877	3,678
Total finance lease and right-of-use licence liabilities	4,016	3,826

(c) Operating leases

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

	nbn Group	
	31 December 2015 \$m	30 June 2015 \$m
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	66	58
Later than one year but not later than five years	124	119
Later than five years	298	259
Total operating lease commitments	488	436

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

9. Contingent liabilities

The detail of nbn's significant contingent liabilities are set out on pages 110-111 of the 2014-15 Annual Report. There have been no significant changes to these contingent liabilities during the period.

10. Related party transactions

(a) Parent entity

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

(b) Subsidiaries

The interest in the subsidiaries is set out on page 123 of the 2014-15 Annual Report. There were no acquisitions or disposals in the period.

(c) Transactions with related parties

The following significant transactions occurred with related parties:

	nbn Group	
	31 December 2015 \$	31 December 2014 \$
Equity injections		
Equity injected by the Commonwealth of Australia into nbn co limited (Refer to Note 6)	3,200,000,000	1,977,000,000

Notes to the financial statements

11. Fair value measurement of financial instruments

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

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

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

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

(a) Fair value of derivative assets and liabilities

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

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

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

(b) Fair value of other financial instruments

The Group has a number of financial instruments which are not measured at fair value in the Statement of financial position such as cash and cash equivalents, trade and other receivables and held to maturity investments. Their carrying amounts approximate their fair value as at the reporting date.

12. Events occurring after the reporting period

On 29 January 2016, nbn received \$700 million in equity funding from the Commonwealth Government.

Other than the receipt of additional equity funding from the Commonwealth Government, no matter or circumstance has arisen since 31 December 2015 to the date of signing of this report that has significantly affected, or may affect:

- (a) The Group's operations in future financial years;
- (b) The results of those operations in future financial years; and
- (c) The Group's state of affairs in future financial years.



Directors' declaration

- (1) These non-statutory Half-Year financial statements and notes set out on pages 30 to 44 are in accordance with AASB 134 *Interim Financial Reporting*, the *Corporations Act 2001* and the *Public Governance, Performance and Accountability Act 2013*, giving a true and fair view of the **nbn** Group's financial position as at 31 December 2015 and of its performance for the Half-Year ended on that date; and
- (2) There are reasonable grounds to believe that the **nbn** Group will be able to pay its debts as and when they become due and payable.

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

Signed in accordance with a resolution of the Directors.

Dr Ziggy Switkowski AO
Chairman

4 February 2016

Bill Morrow
Chief Executive Officer



Auditor-General for Australia



Independent Auditor's Review Report

To the members of nbn co limited

I have reviewed the accompanying Half-Year Financial Report of nbn co limited (the company), which comprises the Statement of financial position as at 31 December 2015, the Statement of profit or loss and other comprehensive income, Statement of changes in equity and Statement of cash flows for the Half-Year ended on that date, Summary of significant accounting policies and other explanatory notes and the Directors' Declaration for the **nbn** Group (the consolidated entity). The **nbn** Group comprises nbn co limited and the entities it controlled at 31 December 2015 or from time to time during that Half-Year.

Directors' responsibility for the Half-Year financial report

The directors of the nbn co limited are responsible for the preparation of the Half-Year Financial Report that gives a true and fair view in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and for such internal control as the directors determine is necessary to enable the preparation of the Half-Year Financial Report that gives a true and fair view and is free from material misstatement whether due to fraud or error.

Auditor's responsibility

My responsibility is to express a conclusion on the Half-Year Financial Report based on my review. I conducted my review in accordance with the Australian National Audit Office Auditing Standards which incorporate the Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to my attention that causes me to believe that the financial report does not give a true and fair view of **nbn** Group's financial position as at 31 December 2015 and its performance for the Half-Year ended on that date in accordance with Accounting Standard AASB 134 *Interim Financial Reporting*. As the auditor of nbn co limited, ASRE 2410 requires that I comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting my review, I have complied with the independence requirements of the Australian professional accounting bodies.



Conclusion

Based on my review, which is not an audit, nothing has come to my attention that causes me to believe that the Half-Year Financial Report of nbn co limited does not give a true and fair view of the financial position of the **nbn** Group as at 31 December 2015 and its financial performance for the Half-Year ended on that date, in accordance with Accounting Standard AASB 134 *Interim Financial Reporting*.

Australian National Audit Office

A handwritten signature in black ink that reads "Grant Hehir".

Grant Hehir
Auditor-General

Canberra
4 February 2016

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