



# **NBN Co Limited**

**Special Access Undertaking - Regulatory Information**

**For the period ended 30 June 2014**

**Public Version**

## Legal Notice

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The Chief Financial Officer

NBN Co Limited,

Level 11, 100 Arthur Street

North Sydney NSW 2060

Australia

<b>Contents</b>	<b>Page</b>
<b>Basis of Preparation</b>	<b>4</b>
<b>Schedule 6 Statement of Capital Expenditure, Disposals, Construction in Progress, Asset Lifetimes and Taxation Asset Lifetimes</b>	
Financial Year Ended 2014	6
Financial Year Ended 2013	8
Financial Year Ended 2012	10
Financial Year Ended 2011	11
Financial Year Ended 2010	12
Financial Year Ended 2009	13
<b>Schedule 7 Statement of Operating Expenditure</b>	<b>14</b>
<b>Schedule 8 Statement of Interest Expense</b>	<b>15</b>
<b>Schedule 9 Statement of Revenue</b>	<b>16</b>
<b>Schedule 10 Statement of LTRCM and RAB items</b>	<b>17</b>
<b>SAU Declaration – Statement by Chief Financial Officer</b>	<b>18</b>

## 1.0 Basis of Preparation

This Special Access Undertaking (SAU) – Regulatory Information, which comprises the Statement of Capex, Disposals, Construction in Progress, Asset Lifetimes and Taxation Asset Lifetimes (Schedule 6), Statement of Operating Expenditure (Schedule 7), Statement of Interest Expense (Schedule 8), Statement of Revenue (Schedule 9), Statement of LTRCM and RAB items (Schedule 10), Expenditure Compliance Report (Schedule 12), Procurement Rules Compliance Report (Schedule 13) and Price Compliance Report (Schedule 14) (together referred to as the Schedules), has been prepared in accordance with principles of the NBN Co Regulatory Accounting & Allocation Manual (RAAM). The RAAM is established and maintained by management to assist it to discharge NBN Co's obligations under Schedule 1F of the NBN Co SAU.

From time to time, NBN Co transfers assets between categories to align with current business operations. Capital expenditure transfers for the 2014 financial year have been reversed within Schedule 6. Where capital expenditure additions have been transferred into different asset categories there is not considered to be a material difference in the useful lives and subsequent calculation of depreciation. For administrative ease, asset transfers which occurred in the years prior to 2014 have not been reversed and accordingly classification is as per the underlying records and financial statements of that year.

This SAU – Regulatory Information has been prepared from the underlying financial records which were the basis for the preparation of the NBN Co Limited General Purpose Financial Statements and has been presented in Australian dollars, and values are rounded to the nearest thousand dollars unless otherwise stated.

The SAU – Regulatory Information has been prepared based on Australian Accounting Standards, except as noted below where an "Alternate Accounting Treatment (AAT)" has been adopted.

### 1.1 Licenced Assets and Property Assets under Finance Leases

NBN Co accounts for its licenced assets for duct access, exchange access and dark fibre and aggregation nodes as finance leases over property, plant and equipment. This involves capitalising the finance leases, amortising the value of the leases over time and recognising a notional interest expense each year on the residual value of each lease. This accounting approach is inconsistent with the approach used in the Long Term Revenue Constraint Methodology (LTRCM), so for the purposes of the SAU – Regulatory Information, the payments for Licenced Assets and Property Assets under Finance Leases are brought to account on a cash basis and included within Operating Expenditure each year.

### 1.2 Migration Fees

NBN Co accounts for the payments of Migration Fees as part expense and part capitalised intangible Asset. The basis for the capitalisation and the accounting for the resulting intangible asset over time are inconsistent with the LTRCM. For the purposes of the SAU – Regulatory Information, the payment of Migration Fees will be brought to account on a cash basis and included within Operating Expenditure each year.

### 1.3 Assets received for Zero Consideration & Government Grants

Through its developer agreements with New Developments, NBN Co receives Pit and Pipe assets at no cost. Assets have also been received under Government Grants. These items are capitalised as assets with an equivalent deferred gain being recognised. The asset and the deferred gain are depreciated and brought to account into the profit and loss statement over the useful life of the asset. For the purposes of the Statement of Capex, Disposals, Construction in Progress, Asset Lifetimes and Taxation Asset Lifetimes (Schedule 6), the effects of these transactions are reversed such that the relevant assets are ascribed a zero Capital Expenditure value and no gain is recognised in revenue.

For corporate tax purposes, however, the value of assets received for zero consideration is treated as assessable income in the year in which NBN Co takes ownership of the assets, and results in tax depreciation over time. This tax treatment is reflected in the calculations underpinning the Statement of LTRCM and RAB items (Schedule 10).

#### **1.4 Construction in Progress**

NBN Co recognises in the carrying amount of an item of property, plant and equipment the value of assets in the course of construction. For the purposes of the SAU – Regulatory Information, consistent with the LTRCM, construction in progress is not allocated to items of property, plant and equipment or intangible assets, and is reported as an aggregate value as at the start and end of each Financial Year.

#### **1.5 Inventory**

For the purposes of the SAU – Regulatory Information, net increases in Inventory are included as additions to Capital Expenditure, while net decreases in inventory are included as disposals. Any write-offs of Inventory will be accounted for as Operating Expenditure. When Inventory is accounted for under an AAT it is treated as a non-depreciable asset.

#### **1.6 Provisions**

For the purpose of the SAU - Regulatory Information, provisions are omitted from Capital Expenditure and Operating Expenditure as they are estimates and do not necessarily represent a pending cash outflow.

NBN Co Limited

Schedule 6 - Statement of Capital Expenditure, Disposals, Construction in Progress, Asset Lifetimes and Taxation Asset Lifetimes

For the period ended 30 June 2014

Asset Type (level 6 asset categories)		Period 1 Jul 2013 - 30 Nov 2013		Period 1 Dec 2013 - 30 Jun 2014		FY 2014		Asset Lifetime	Taxation Asset Lifetime
		Capital Expenditure	Disposals	Capital Expenditure	Disposals	Capital Expenditure	Disposals		
Code	Description	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	Years	Years
[Redacted Content]									
<b>Total Network Assets</b>		<b>380,318</b>	<b>-</b>	<b>824,282</b>	<b>-</b>	<b>1,204,600</b>	<b>-</b>		

NBN Co Limited

Schedule 6 - Statement of Capital Expenditure, Disposals, Construction in Progress, Asset Lifetimes and Taxation Asset Lifetimes

For the period ended 30 June 2014

Asset Type (level 6 asset categories)		Period 1 Jul 2013 - 30 Nov 2013		Period 1 Dec 2013 - 30 Jun 2014		FY 2014		Asset Lifetime Years	Taxation Asset Lifetime Years
		Capital Expenditure \$'000	Disposals \$'000	Capital Expenditure \$'000	Disposals \$'000	Capital Expenditure \$'000	Disposals \$'000		
Code	Description								

[Redacted Content]									
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<b>Total Non Network Assets</b>		<b>115,415</b>	<b>-</b>	<b>270,862</b>	<b>-</b>	<b>386,276</b>	<b>-</b>		
Ref: AAT 1.5	Inventory	3,750		1,896		5,646			
<b>Grand Total</b>		<b>499,483</b>	<b>-</b>	<b>1,097,040</b>	<b>-</b>	<b>1,596,522</b>	<b>-</b>		

	Period 1 Jul 2013 - 30 Nov 2013		Period 1 Dec 2013 - 30 Jun 2014		FY 2014	
	Opening Value \$'000	Closing Value \$'000	Opening Value \$'000	Closing Value \$'000	Opening Value \$'000	Closing Value \$'000

Construction in Progress	1,332,965		1,764,143		2,221,088	
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Reconciliation to NBN Co's Audited General Purpose Financial Statement

Capital Expenditure per SAU	499,483		1,097,040		1,596,522	
Ref: Add reconciling items:						
AAT 1.1 Licensed Assets and Property Assets under Finance Leases						
AAT 1.2 Migration Fees						
AAT 1.3 Assets received for zero consideration	28,711		38,540		67,251	

AAT 1.4 Construction in Progress (Movement)	462,638		455,428		918,066	
AAT 1.6 Provisions						

Less reconciling items:						
AAT 1.5 Inventory	(3,750)		(1,896)		(5,646)	

<b>Total Capital Expenditure</b>	<b>2,318,590</b>		<b>2,340,071</b>		<b>4,658,661</b>	
<b>Capital Additions per NBN Co's Audited General Purpose Financial Statement</b>	<b>2,318,590</b>		<b>2,340,071</b>		<b>4,658,661</b>	

<b>NBN Co Annual Report Reference:</b>					<b>\$'000</b>	
	<i>Non-current assets - Property, plant and equipment</i>	<i>Pg. 100 Note 8 (a)</i>			<b>4,370,129</b>	
	<i>Non-current assets - Intangible assets</i>	<i>Pg. 102 Note 9 (a)</i>			<b>288,532</b>	
<b>Non-current assets - Total additions</b>					<b>4,658,661</b>	

Deemed Prudent Capital Expenditure Category	Capital Expenditure \$'000
Incurring prior to SAU commencement	499,483
Incurring post SAU commencement:	
NBN Co Interim Satellite Network	
Interim Transit Arrangements	
Telstra Arrangements	
Optus Arrangements	
Tasmania Tri-Area Services Arrangements	
First Release Trial Sites	
Third Party Funded Network Changes	
<b>Total - Deemed Prudent Capital Expenditure</b>	<b>557,493</b>

Note: The SAU commenced on 13 December 2013, which does not align with standard accounting periods. To address this, NBN Co has accounted for SAU commencement as occurring 1 December 2013, being the closest period start to the SAU Commencement Date.

NBN Co Limited

Schedule 6 - Statement of Capital Expenditure, Disposals, Construction in Progress, Asset Lifetimes and Taxation Asset Lifetimes

For the year ended 30 June 2013

Asset Type (level 6 asset categories)		Capital Expenditure	Disposals	Asset Lifetime	Taxation Asset Lifetime
Code	Description	\$'000	\$'000	Years	Years
[Redacted Content]					
<b>Total Network Assets</b>		<b>671,800</b>	-		



NBN Co Limited

Schedule 6 - Statement of Capital Expenditure, Disposals, Construction in Progress, Asset Lifetimes and Taxation Asset Lifetimes

For the year ended 30 June 2013

Asset Type (level 6 asset categories)		Capital Expenditure	Disposals	Asset Lifetime	Taxation Asset
Code	Description	\$'000	\$'000	Years	Lifetime
[Redacted]					
<b>Total Non Network Assets</b>		<b>358,323</b>	<b>-</b>		
Ref. AAT 1.5	Inventry	4,446	-		
<b>Grand Total</b>		<b>1,034,569</b>	<b>-</b>		
		Opening Value	Closing Value		
		\$'000	\$'000		
Construction in Progress		604,369	1,332,965		
<b>Reconciliation to NBN Co's Audited General Purpose Financial Statement</b>					
Capital Expenditure per SAU			1,034,569		
Ref. AAT 1.1	Add reconciling items: Licensed Assets and Property Assets under Finance Leases				
AAT 1.2	Migration Fees				
AAT 1.3	Assets received for zero consideration		122,854		
[Redacted]					
AAT 1.4	Construction in Progress (Movement)		766,017		
AAT 1.6	Provisions				
Less reconciling items:			(4,446)		
AAT 1.5	Inventry				
<b>Total Capital Expenditure</b>			<b>3,002,040</b>		
<b>Capital Additions per NBN Co's Audited General Purpose Financial Statement</b>			<b>3,002,040</b>		
<b>NBN Co Annual Report Reference:</b>			<b>\$'000</b>		
		<b>Non-current assets - Property, plant and equipment</b>	<b>Pg. 111 Note 12 (a)</b>	<b>2,788,781</b>	
		<b>Non-current assets - Intangible assets</b>	<b>Pg. 113 Note 9 (a)</b>	<b>213,259</b>	
<b>Non-current assets - Total additions</b>				<b>3,002,040</b>	
<b>Deemed Prudent Capital Expenditure Category</b>				<b>Capital Expenditure</b>	
				<b>\$'000</b>	
Incurred prior to SAU commencement				1,034,569	
Incurred post SAU commencement:					
NBN Co Interim Satellite Network					
Interim Transit Arrangements					
Telstra Arrangements					
Optus Arrangements					
Tasmania Tri-Area Services Arrangements					
First Release Trial Sites					
Third Party Funded Network Changes					
<b>Total - Deemed Prudent Capital Expenditure</b>				<b>1,034,569</b>	

NBN Co Limited

Schedule 6 - Statement of Capital Expenditure, Disposals, Construction in Progress, Asset Lifetimes and Taxation Asset Lifetimes

For the year ended 30 June 2012

Asset Type (level 6 asset categories)		Capital Expenditure	Disposals	Asset Lifetimes	Taxation Asset Lifetime
Code	Description	\$'000	\$'000	Years	Years
<b>Total Network Assets</b>		<b>125,335</b>	<b>-</b>		
<b>Total Non Network Assets</b>		<b>364,744</b>	<b>-</b>		
Ref:					
AAT 1.5	Inventory	12	-	N/A	N/A
<b>Grand Total</b>		<b>490,091</b>	<b>-</b>		
		Opening Value	Closing Value		
		\$'000	\$'000		
	Construction in Progress	234,677	604,369		
<b>Reconciliation to NBN Co's Audited General Purpose Financial Statement</b>					
	Capital Expenditure per SAU		490,091		
Ref:	Add reconciling items:				
AAT 1.1	Licensed Assets and & Property Assets under Finance Leases				
AAT 1.2	Migration Fees				
AAT 1.3	Assets received for zero consideration				
AAT 1.4	Construction in Progress (Movement)		396,657		
AAT 1.6	Provisions				
AAT 1.5	Less reconciling items:				
	Inventory		(12)		
<b>Total Capital Expenditure</b>			<b>1,122,279</b>		
<b>Capital Additions per NBN Co's Audited General Purpose Financial Statement</b>			<b>1,122,279</b>		
<b>NBN Co Annual Report Reference:</b>			<b>\$'000</b>		
	<i>Non-current assets - Property, plant and equipment</i>	<i>Pg. 86 Note 12 (a)</i>	<i>822,917</i>		
	<i>Non-current assets - Intangible assets</i>	<i>Pg. 88 Note 13 (a)</i>	<i>299,362</i>		
<b>Non-current assets - Total additions</b>			<b>1,122,279</b>		
<b>Deemed Prudent Capital Expenditure Category</b>			<b>Capital Expenditure</b>		
			<b>\$'000</b>		
	Incurred prior to SAU commencement		490,091		
	Incurred post SAU commencement:				
	NBN Co Interim Satellite Network				
	Interim Transit Arrangements				
	Telstra Arrangements				
	Optus Arrangements				
	Tasmania Tri-Area Services Arrangements				
	First Release Trial Sites				
	Third Party Funded Network Changes				
<b>Total - Deemed Prudent Capital Expenditure</b>			<b>490,091</b>		

NBN Co Limited

Schedule 6 - Statement of Capital Expenditure, Disposals, Construction in Progress, Asset Lifetimes and Taxation Asset Lifetimes

For the year ended 30 June 2011

Asset Type (level 6 asset categories)		Capital Expenditure	Disposals	Asset Lifetimes	Taxation Asset Lifetime
Code	Description	\$'000	\$'000	Years	Years
<b>Total Network Assets</b>		<b>158,082</b>			
<b>Total Non Network Assets</b>		<b>95,208</b>	-		
Ref.					
AAT 1.5	Inventory	1,660	-		
<b>Grand Total</b>		<b>254,951</b>	-		
		Opening Value	Closing Value		
		\$'000	\$'000		
	Construction in Progress	33,642	234,677		
<b>Reconciliation to NBN Co's Audited General Purpose Financial Statement</b>					
	Capital Expenditure per SAU		254,951		
Ref.	Add reconciling items:				
AAT 1.1	Licensed Assets and Property Assets under Finance Leases				
AAT 1.2	Migration Fees				
AAT 1.3	Assets received for zero consideration				
AAT 1.4	Construction in Progress (Movement)		201,035		
AAT 1.6	Provisions				
	Less reconciling items:				
AAT 1.5	Inventory		(1,660)		
<b>Total Capital Expenditure</b>			<b>461,779</b>		
<b>Capital Additions per NBN Co's Audited General Purpose Financial Statement</b>			<b>461,779</b>		
<b>NBN Co Annual Report Reference:</b>			<b>\$'000</b>		
	<i>Non-current assets - Property, plant and equipment</i>	<i>Pg. 64 Note 10 (a)</i>	<b>207,667</b>		
	<i>Non-current assets - Intangible assets</i>	<i>Pg. 66 Note 11</i>	<b>254,112</b>		
<b>Non-current assets - Total additions</b>			<b>461,779</b>		
<b>Deemed Prudent Capital Expenditure Category</b>			<b>Capital Expenditure</b>		
	Incurred prior to SAU commencement		\$'000		
	Incurred post SAU commencement:		254,951		
	NBN Co Interim Satellite Network				
	Interim Transit Arrangements				
	Telstra Arrangements				
	Optus Arrangements				
	Tasmania Tri-Area Services Arrangements				
	First Release Trial Sites				
	Third Party Funded Network Changes				
<b>Total - Deemed Prudent Capital Expenditure</b>			<b>254,951</b>		

NBN Co Limited

Schedule 6 - Statement of Capital Expenditure, Disposals, Construction in Progress, Asset Lifetimes and Taxation Asset Lifetimes

For the year ended 30 June 2010

Asset Type (level 6 asset categories)		Capital Expenditure	Disposals	Asset Lifetimes	Taxation Asset
Code	Description	\$'000	\$'000	Years	Lifetime
					Years
<b>Total Network Assets</b>		-	-		
<b>Total Non Network Assets</b>		<b>7,602</b>	-		
Ref.					
AAT 1.5	Inventory	-	-		
<b>Grand Total</b>		<b>7,602</b>	-		
		Opening Value	Closing Value		
		\$'000	\$'000		
Construction in Progress		-	33,642		
<b>Reconciliation to NBN Co's Audited General Purpose Financial Statement</b>					
Capital Expenditure per SAU			7,602		
Ref.	<i>Add reconciling items:</i>				
AAT 1.1	Licensed Assets and Property Assets under Finance Leases				
AAT 1.2	Migration Fees				
AAT 1.3	Assets received for zero consideration				
AAT 1.4	Construction in Progress (Movement)		33,642		
AAT 1.6	Provisions				
<i>Less reconciling items:</i>					
AAT 1.5	Inventory		-		
<b>Total Capital Expenditure</b>			<b>41,245</b>		
<b>Capital Additions per NBN Co's Audited General Purpose Financial Statement</b>			<b>41,245</b>		
<b>NBN Co Annual Report Reference:</b>			<b>\$'000</b>		
		<i>Non-current assets - Property, plant and equipment</i>	<i>Pg. 53 Note 7 (a)</i>		<b>31,191</b>
		<i>Non-current assets - Intangible assets</i>	<i>Pg. 54 Note 8</i>		<b>10,054</b>
<b>Non-current assets - Total additions</b>					<b>41,245</b>
<b>Deemed Prudent Capital Expenditure Category</b>			<b>Capital Expenditure</b>		<b>\$'000</b>
Incurred prior to SAU commencement			7,602		
Incurred post SAU commencement:					
NBN Co Interim Satellite Network					
Interim Transit Arrangements					
Telstra Arrangements					
Optus Arrangements					
Tasmania Tri-Area Services Arrangements					
First Release Trial Sites					
Third Party Funded Network Changes					
<b>Total - Deemed Prudent Capital Expenditure</b>			<b>7,602</b>		

NBN Co Limited

Schedule 6 - Statement of Capital Expenditure, Disposals, Construction in Progress, Asset Lifetimes and Taxation Asset Lifetimes

For the year ended 30 June 2009

Asset Type (level 6 asset categories)		Capital Expenditure	Disposals	Asset Lifetimes	Taxation Asset
Code	Description	\$'000	\$'000	Years	Lifetime
					Years
<b>Total Network Assets</b>		-	-		
<b>Total Non Network Assets</b>		-	-		
Ref:					
AAT 1.5	Inventory	-	-		
<b>Grand Total</b>		-	-		
		Opening Value	Closing Value		
		\$'000	\$'000		
Construction in Progress		-	-		
<b>Reconciliation to NBN Co's Audited General Purpose Financial Statement</b>					
Capital Expenditure per SAU		-			
Less Disposals per SAU		-			
Ref:	Add reconciling items:				
AAT 1.1	Licensed Assets and Property Assets under Finance Leases	-			
AAT 1.2	Migration Fees	-			
AAT 1.3	Assets received for zero consideration	-			
Construction in Progress (Movement)		-			
AAT 1.4	Provisions	-			
AAT 1.6		-			
Less reconciling items:					
AAT 1.5	Inventory	-			
<b>Total Capital Expenditure</b>		-			
<b>Capital Additions per NBN Co's Audited General Purpose Financial Statement</b>					
<b>Deemed Prudent Capital Expenditure Category</b>					
Incurred prior to SAU commencement					
Incurred post SAU commencement:					
NBN Co Interim Satellite Network					
Interim Transit Arrangements					
Telstra Arrangements					
Optus Arrangements					
Tasmania Tri-Area Services Arrangements					
First Release Trial Sites					
Third Party Funded Network Changes					
<b>Total - Deemed Prudent Capital Expenditure</b>					

NBN Co Limited

Schedule 7 Statement of Operating Expenditure

For the period ended 30 June 2014

Operating Expenditure Category	Current Year			Prior Years				
	FY Total \$'000	30 Jun 14 \$'000	30 Nov 13 \$'000	FY 2013 \$'000	FY 2012 \$'000	FY 2011 \$'000	FY 2010 \$'000	FY 2009 \$'000
Direct telecommunications costs	564,603	295,468	269,135	214,862	86,317	15,483	947	-
Non deemed Prudent Operating Expenditure	149,442	118,269	31,173	60,148	34,999	10,710	947	-
Deemed Prudent Operating Expenditure (note a)	415,161	177,199	237,962	154,714	51,318	4,773	-	-
NBN Co Interim Satellite Network								
Interim Transit Arrangements								
Tasmania Tri-Area Service Arrangements								
First Release Trial Sites								
Telstra Arrangements								
Optus Arrangements								
Third Party Funded Network Changes								
Urgent or Unforeseen Network Issues								
Force Majeure								
Employee benefit expenses	359,868	211,272	148,595	318,576	212,516	113,142	36,033	-
Advisory, corporate and outsourced services	71,118	38,816	32,302	36,407	26,058	68,627	17,171	139
Legal expenses	15,478	9,792	5,686	16,796	21,472	54,082	15,253	-
IT and software expenses	114,226	66,479	47,746	108,652	93,060	52,465	6,782	-
Occupancy expenses	39,699	24,245	15,454	34,202	25,344	13,348	2,809	-
Travel and entertainment costs	19,317	10,886	8,430	18,460	12,615	6,777	1,404	-
Communication and public information	13,887	9,738	4,149	14,032	11,226	2,598	80	-
Other expenses	17,319	4,648	12,671	16,688	10,811	4,343	1,775	-
<b>Total</b>	<b>1,215,514</b>	<b>671,345</b>	<b>544,168</b>	<b>778,673</b>	<b>499,419</b>	<b>330,865</b>	<b>82,255</b>	<b>139</b>

Reconciliation to NBN Co's Audited General Purpose Financial Statement

Less								
AAT 1.1 - Licenced Assets and Property Assets under Finance Leases								
AAT 1.2 - Migration Payments								
Add								
AAT 1.6 - Provisions (Employee benefits)	24,513	11,939	12,574	5,792	9,593	5,740	1,319	-
Depreciation and Amortisation Expense	435,375	300,418	134,957	197,174	73,941	19,231	206	-
Finance Costs	222,909	147,017	75,892	63,713	6,143	-	-	-
<b>Total</b>	<b>1,728,208</b>	<b>1,108,025</b>	<b>620,183</b>	<b>1,010,114</b>	<b>589,054</b>	<b>355,837</b>	<b>83,781</b>	<b>139</b>
<b>Total Expense per NBN Co's Audited General Purpose Financial Statement</b>	<b>1,728,208</b>	<b>1,108,025</b>	<b>620,183</b>	<b>1,010,114</b>	<b>589,054</b>	<b>355,837</b>	<b>83,781</b>	<b>139</b>

Deemed Prudent Operating Expenditure Category	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Incurring prior to SAU commencement	544,168		544,168	778,673	499,419	330,865	82,255	139
Incurring post SAU commencement (note b)								
NBN Co Interim Satellite Network								
Interim Transit Arrangements								
Tasmania Tri-Area Service Arrangements								
First Release Trial Sites								
Telstra Arrangements								
Optus Arrangements								
Third Party Funded Network Changes								
Urgent or Unforeseen Network Issues								
Force Majeure								
<b>Total - Deemed Prudent Operating Expenditure</b>	<b>721,367</b>	<b>177,199</b>	<b>544,168</b>	<b>778,673</b>	<b>499,419</b>	<b>330,865</b>	<b>82,255</b>	<b>139</b>

Note a - Deemed prudent categories are as defined in the SAU. While deemed prudent categories only come into consideration for inclusion of Operating Expenditure in the ABBRR from the SAU Commencement Date onwards, Operating Expenditure incurred in connection with each category is reported here for each Financial Year from the Cost Commencement Date onwards. This is to facilitate ready comparisons between the amount of Operating Expenditure incurred in connection with each deemed prudent category for each Financial Year (prior to and post SAU commencement).

Note b - The SAU commenced on 13 December 2013, which does not align with standard accounting periods. To address this, NBN Co has accounted for SAU commencement as occurring 1 December 2013, being the closest period start to the SAU Commencement Date.

**NBN Co Limited**

**Schedule 8 Statement of Interest Expense**

For the period ended 30 June 2014

	Current Year			Prior Years				
	FY Total \$'000	30 Jun 14 \$'000	30 Nov 13 \$'000	FY 2013 \$'000	FY 2012 \$'000	FY 2011 \$'000	FY 2010 \$'000	FY 2009 \$'000
Interest Expense	1	-	1	123	15	-	-	-
Reconciliation to NBN Co's Audited General Purpose Financial Statement								
<i>Add</i>								
Licensed Assets and Property Assets - Interest Expense	221,430	146,728	74,701	62,400	5,164	-	-	-
Unwinding of discounting associated with provisions	1,479	289	1,190	1,190	964	-	-	-
<b>Finance Costs per NBN Co's Audited General Purpose Financial Statement</b>	<b>222,909</b>	<b>147,017</b>	<b>75,891</b>	<b>63,713</b>	<b>6,143</b>	-	-	-

**NBN Co Limited**

**Schedule 9 Statement of Revenue**

**For the period ended 30 June 2014**

	Current Year			Prior Years				
	FY14 Total \$'000	30 Jun 14 \$'000	30 Nov 13 \$'000	FY 2013 \$'000	FY 2012 \$'000	FY 2011 \$'000	FY 2010 \$'000	FY 2009 \$'000
Telecommunication Revenue	59,970	42,882	17,088	16,451	1,924	-	-	-
Other Revenue	988	745	243	373	19	-	-	-
<b>Revenue</b>	<b>60,958</b>	<b>43,627</b>	<b>17,331</b>	<b>16,824</b>	<b>1,944</b>	-	-	-
<b>Reconciliation to NBN Co's Audited General Purpose Financial Statement</b>								
<i>Add</i>								
Interest Income (where relevant) (note a)				48,989	60,163	32,616	3,947	-
<b>Total Revenue Per NBN Co's Audited General Purpose Financial Statement</b>	<b>60,958</b>	<b>43,627</b>	<b>17,331</b>	<b>65,813</b>	<b>62,107</b>	<b>32,616</b>	<b>3,947</b>	-
<b>Total Revenue Per NBN Co's Audited General Purpose Financial Statement (note b)</b>	<b>60,958</b>	<b>43,627</b>	<b>17,331</b>	<b>65,813</b>	<b>62,107</b>	<b>32,616</b>	<b>3,947</b>	-

note a: In NBN Co's Audited General Purpose Financial Statement for FY 2014 (as reported in NBN Co's 2013/14 Annual Report), Interest Income is not included in the calculation of Total Revenue. Therefore, the value of Revenue for FY 2014 (as determined in accordance with the SAU), is the same as the Total Revenue value as per NBN Co's Audited General Purpose Financial Statement.

note b: For the purposes of this schedule, Total Revenue Per NBN Co's Audited General Purpose Financial Statement are those values published in NBN Co's Annual Report of the Financial Year to which the value relates (e.g. Total Revenue Per NBN Co's Audited General Purpose Financial Statement for FY 2013 is drawn from the 2012/13 Annual Report).



**NBN Co Limited**

**Schedule 10 Statement of LTRCM and RAB items**

**For the period ended 30 June 2014**

	Units	FY 2014 Value	Prior Years				FY 2010 Value	FY 2009 Value
			FY 2013 Value	FY 2012 Value	FY 2011 Value			
June Quarter CPI	Percentage	3%	2%	1%	4%	3%	1%	
Cumulative Inflation Factor	Index	100%	98%	96%	93%	90%	89%	
Risk Free Rate	Percentage	4%	3%	5%	5%	6%	7%	
Nominal Rate of Return	Percentage	7%	6%	9%	9%	9%	10%	
Corporate Tax Rate	Percentage	30%	30%	30%	30%	30%	30%	
Dividend imputation franking credits	\$'000	n/a	n/a	n/a	n/a	n/a	n/a	
Nominal Straight Line Depreciation	\$'000	307,909	169,021	60,026	1,284	-	-	
Nominal Tax Depreciation Expenses	\$'000	300,744	164,904	57,929	1,245	-	-	
Nominal Regulatory Depreciation	\$'000	260,417	152,267	56,862	1,014	-	-	
Opening RAB - Nominal	\$'000	1,574,878	700,852	261,506	7,601	-	-	
Closing RAB - Nominal	\$'000	2,901,139	1,574,878	700,852	261,506	7,601	-	
Opening RAB - Real	\$'000	1,612,525	726,286	280,613	8,411	-	-	
Closing RAB - Real	\$'000	2,901,139	1,612,525	726,286	280,613	8,411	-	
Annual Building Block Revenue Requirement	\$'000	1,682,853	1,014,452	599,379	335,534	82,255	139	
Unrecovered Costs	\$'000	1,621,895	997,628	597,435	335,534	82,255	139	
Opening ICRA - Nominal	\$'000	2,125,041	1,059,616	425,244	82,407	139	-	
Closing ICRA - Nominal	\$'000	3,898,154	2,125,041	1,059,616	425,244	82,407	139	
Opening ICRA - Real	\$'000	2,175,839	1,098,070	456,316	91,189	156	-	
Closing ICRA - Real	\$'000	3,898,154	2,175,839	1,098,070	456,316	91,189	156	
Carry Forward Revenue Adjustment	\$'000	n/a	n/a	n/a	n/a	n/a	n/a	
Regulated Revenue	\$'000	n/a	n/a	n/a	n/a	n/a	n/a	
Revenue Variation	\$'000	n/a	n/a	n/a	n/a	n/a	n/a	

## Special Access Undertaking (SAU) Declaration – Statement by CFO

### Statement by NBN Co's Chief Financial Officer

In my opinion, to the best of my knowledge and belief, I declare that:

- (a) The Regulatory Accounting & Allocation Manual (RAAM) has been appropriately updated to reflect changes in the business or structure of NBN Co and to meet the financial reporting requirements of the NBN Co Special Access Undertaking (SAU)
- (b) Schedules 6 to 9, Statement of Capex, Disposals, and Construction in Progress, Asset Lifetimes and Taxation Asset Lifetimes (Schedule 6), Statement of Operating Expenses (Schedule 7), Statement of Interest Expense (Schedule 8), Statement of Revenue (Schedule 9) as at 30 June 2014:
  - i. are prepared in accordance with the principles of the RAAM dated 30 June 2014;
  - ii. note 1; and
  - iii. have been reconciled with the audited financial statements.
- (c) Schedule 10 has been prepared in accordance with the reporting requirements of the SAU.



Chief Financial Officer

Date 30 October 2014