



# NBN Co Limited

## Special Access Undertaking Regulatory Information Report For the year ended 30 June 2022

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## 1.0 Basis of Preparation

This Special Access Undertaking (**SAU**) – Regulatory Information Report, which comprises of the Statement of Capital Expenditure, 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), Statement of Material Operating Expenditure, Capital Expenditure and Construction in Progress Variances (Schedule 11), 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 the 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.

This SAU – Regulatory Information Report has been prepared from the underlying financial records which were the basis for the preparation of NBN Co's General Purpose Financial Statements. The numbers contained within this report have been presented in Australian dollars, and values are rounded to the nearest thousand dollars unless otherwise stated.

From time to time, NBN Co transfers assets between categories to align with current business operations. Capital Expenditure transfers for the 2022 Financial Year are not illustrated within **Schedule 6**, consistent with the methodology applied to previous submissions.

In accordance with NBN Co's accounting policies and the requirements of Australian Accounting Standards, during the financial year, NBN Co undertook a review of the useful lives of its assets to ensure they remain appropriate. Any revised lives have been adopted and reported within the SAU – Regulatory Information Report as at 30 June 2022.

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

### 1.1 Right of Use Assets under Lease Arrangements

NBN Co accounts for its contractual right to use various assets, including: duct infrastructure, exchange sites, dark fibre, business premises, fleet vehicles, wireless tower sites and aggregation nodes, as finance leases over property, plant and equipment. In accordance with AASB 16, this involves capitalising the right of use (ROU) asset, amortising the value of the ROU asset over time and recognising a notional interest expense each year on the residual value of the lease liability. This accounting approach is inconsistent with the approach used in the Long Term Revenue Constraint Methodology (**LTRCM**), where ROU assets are excluded from capital expenditure and leasing payments are included as operating expenditure. Therefore, for the purposes of the SAU – Regulatory Information Report, the payments for ROU assets under lease arrangements are brought to account on a cash basis and included within Operating Expenditure each year.

### 1.2 Migration Fees

Prior to 1 July 2015, NBN Co previously accounted for the payments of Migration Fees as part expense and part capitalised intangible asset, with the intangible asset being depreciated over time. This previous treatment was inconsistent with the treatment within the LTRCM, which expensed the full Migration Fee within Operating Expenditure. From 1 July 2015, **NBN** Co accounted for these payments as an expense only, which aligns to the treatment of Migration Fees within the LTRCM.

## 1.0 Basis of Preparation (continued)

Under the contractual terms of certain Migration Fees, **NBN** Co made a prepayment for the migration of Optus premises, which is recognised on the balance sheet and released as Operating Expenditure when migration occurs. This differs to the treatment within the LTRCM, which recognises the Migration Fees on a cash payment basis. Therefore, for the LTRCM the unwinding of the Migration Fee prepayment is excluded from Operating Expenditure.

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

Through its New Development agreements with property developers, NBN Co receives Pit and Pipe assets at no cost. Assets have also been received for zero cost under Government Grants. These items are capitalised as assets with an equivalent deferred gain 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 Capital Expenditure, 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 Report, 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.

Construction in Progress includes Working Inventory, which comprises equipment held by NBN Co before being released into particular construction projects. It is distinct in this regard from Spares Inventory, which comprises equipment held for network maintenance purposes and has a separate AAT (Refer to AAT 1.5 below).

### 1.5 Inventory (Spares)

For the purposes of the SAU – Regulatory Information Report, net increases in Inventory (Spares) are included as additions to Capital Expenditure, while net decreases in Inventory (Spares) are included as Disposals. **nbn** recognises the Inventory (Spares) as part of Property, Plant & Equipment as they are associated with the construction of the network assets. Therefore, for the SAU – Regulatory Information Report, inventory spares are treated as a non-depreciable asset with increases and decreases considered to be additions or disposals.

### 1.6 Provisions

For the purpose of the SAU - Regulatory Information Report, provisions are omitted from Capital Expenditure and Operating Expenditure. These provisions, including employee benefit provisions and asset retirement obligation provisions, are recognised under accounting standards as they represent the estimates of a present obligation that has arisen due to a past event. This accounting concept is not necessarily the same as a fully incurred pending cash outflow. As such, movements in these provisions are excluded from Operating Expenditure to better reflect the cash payments made during the period.

**Schedule 6 – Statement of Capital Expenditure, Disposals, Construction in Progress, Asset Lifetimes and Taxation Asset Lifetimes  
 For the year ended 30 June 2022**

Asset Type Asset Category	Description	FY 2022			
		Capital Expenditure \$'000	Disposals \$'000	Asset Lifetime Years	Taxation Asset Lifetime Years

**Schedule 6 – Statement of Capital Expenditure, Disposals, Construction in Progress, Asset Lifetimes and Taxation Asset Lifetimes  
For the year ended 30 June 2022 (continued)**

Asset Type Asset Category	Description	FY 2022			
		Capital Expenditure \$'000	Disposals \$'000	Asset Lifetime Years	Taxation Asset Lifetime Years
<b>Total Network Assets</b>		<b>1,825,340</b>	-		

**Schedule 6 – Statement of Capital Expenditure, Disposals, Construction in Progress, Asset Lifetimes and Taxation Asset Lifetimes  
For the year ended 30 June 2022 (continued)**

Asset Type Asset Category	Description	FY 2022			
		Capital Expenditure \$'000	Disposals \$'000	Asset Lifetime Years	Taxation Asset Lifetime Years
<b>Non Network Assets</b>					
<b>Total Non-Network Assets</b>		<b>363,051</b>	-		
Ref:	AAT 1.5 Inventory (Spares)	(1,673)			
<b>Grand Total</b>		<b>2,186,718</b>	-		
		<b>FY 2022</b>			
		Closing Value			
		\$'000			
Construction in Progress (Excluding Working Inventory)		1,257,011			
Construction in Progress (Including Working Inventory)		1,558,481			
<b>Reconciliation to NBN Co's Audited General Purpose Financial Statements</b>					
Capital Expenditure per SAU		2,186,718			
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		180,969		
AAT 1.4	Construction in Progress (Movement including Working Inventory)		410,077		
AAT 1.6	Provisions				
<b>Total Capital Expenditure</b>		<b>3,094,535</b>			
<b>Capital Additions per NBN Co's Audited General Purpose Financial Statements</b>		<b>3,094,535</b>			
<b>nbn Annual Report Reference:</b>		<b>\$'000</b>			
<b>Non-current assets - Property, plant and equipment (Note 1)</b>		<b>2,798,464</b>			
<b>Non-current assets - Intangible assets (Note 2)</b>		<b>296,071</b>			
<b>Non-current assets - Total additions</b>		<b>3,094,535</b>			
Deemed Prudent Capital Expenditure Category		Capital Expenditure \$'000			
Incurred prior to SAU commencement					
Incurred post SAU commencement:					
NBN Co Interim Satellite Network					
Interim Transit Arrangements					
Telstra Arrangements					
Optus Arrangements					
Tasmania Tri-Area Service Arrangements					
First Release Trial Sites					
Third Party Funded Network Changes					
<b>Total - Deemed Prudent Capital Expenditure</b>		<b>57,218</b>			

Note 1: Page 142 of NBN Co's Annual Report (Note C3)

Note 2: Page 146 of NBN Co's Annual Report (Note C4)



## NBN Co Limited

### Schedule 7 - Statement of Operating Expenditure For the year ended 30 June 2022

<b>Operating Expenditure Category</b>	<b>Current Year FY 2022 \$'000</b>
Direct telecommunications costs	1,879,937
<i>Non deemed prudent Operating Expenditure</i>	741,764
<i>Deemed prudent Operating Expenditure</i>	1,138,173
<i>NBN Co Interim Satellite Network</i>	
<i>Interim Transit Arrangements</i>	
<i>Tasmania Tri-Area Service Arrangements</i>	
<i>First Release Trial Sites</i>	
<i>Telstra Arrangements</i>	
<i>Optus Arrangements</i>	
<i>Third Party Funded Network Changes</i>	
<i>Urgent or Unforeseen Network Issues</i>	
<i>Force Majeure</i>	
Employee benefit expenses	706,152
IT and software expenses	195,714
Communication and public information	46,651
Other expenses	289,805
<b>Total</b>	<b>3,118,259</b>
<b>Reconciliation to NBN Co's Audited General Purpose Financial Statements</b>	
<i>Less</i>	
<i>Revenue</i>	5,103,300
<i>Interest income</i>	5,605
<i>Other income</i>	72,835
<i>AAT 1.1 - Right-of-use Assets and Property Assets under Finance Leases</i>	
<i>AAT 1.2 - Migration payments</i>	
<i>AAT 1.6 - Provisions</i>	
<i>Add</i>	
<i>Depreciation and amortisation expense</i>	3,540,748
<i>Finance charges</i>	1,476,244
<b>Total</b>	<b>1,867,081</b>
<b>Loss Before Income Tax per NBN Co's Audited General Purpose Financial Statements</b>	<b>1,867,081</b>

## NBN Co Limited

### Schedule 8 - Statement of Interest Expense For the year ended 30 June 2022

	<b>Current Year</b>	
	<b>FY 2022</b>	
	<b>\$'000</b>	
Interest expense	605,921	
<b>Reconciliation to NBN Co's Audited General Purpose Financial Statements</b>		
<i>Ref:</i>	<i>Add</i>	
AAT 1.1	Finance charges on finance lease arrangements	868,906
AAT 1.6	Unwinding of the discount of other lease related provisions	1,448
	<i>Less</i>	
	Interest income	(5,605)
	<b>Net finance costs per NBN Co's Audited General Purpose Financial Statements</b>	<b>1,470,670</b>

## NBN Co Limited

### Schedule 9 - Statement of Revenue For the year ended 30 June 2022

	<b>Current Year</b>
	<b>FY 2022</b>
	<b>\$'000</b>
Telecommunications revenue□	5,004,324
Other revenue□	98,976
<b>Revenue□</b>	<b>5,103,300</b>
<b>Reconciliation to NBN Co's Audited General Purpose Financial Statements</b>	
<i>Add</i>	
Interest income (where relevant) (Note 1)	-
<b>Total revenue per NBN Co's Audited General Purpose Financial Statements (Note 2)</b>	<b>5,103,300</b>

Note 1: In NBN Co's Audited General Purpose Financial Statements for FY 2022 (as reported in NBN Co's 2022 Annual Report), interest income is not included in the calculation of total revenue. Therefore, the value of Revenue for FY 2022 (as determined in accordance with the SAU), is the same as the total revenue value as per NBN Co's Audited General Purpose Financial Statements.

Note 2: For the purposes of this schedule, total revenue per NBN Co's Audited General Purpose Financial Statements are those values published in NBN Co's Annual Report for the Financial Year to which the value relates (e.g. Total revenue per NBN Co's Audited General Purpose Financial Statements for FY 2022 is drawn from the 2022 Annual Report).

## NBN Co Limited

### Schedule 10 - Statement of LTRCM and RAB items For the year ended 30 June 2022

	Units	FY 2022 Value
June Quarter CPI	Percentage	6.145%
Cumulative Inflation Factor	Index	1.191
Risk Free Rate	Percentage	1.534%
Nominal Rate of Return	Percentage	5.034%
Corporate Tax Rate	Percentage	30%
Dividend Imputation Franking Credits	Number	n/a
Nominal Straight Line Depreciation	\$'000	3,362,923
Nominal Tax Depreciation Expenses	\$'000	3,032,391
Nominal Regulatory Depreciation	\$'000	1,597,053
Opening RAB - Nominal	\$'000	28,737,716
Closing RAB - Nominal	\$'000	29,327,381
Opening RAB - Real	\$'000	25,617,207
Closing RAB - Real	\$'000	24,629,418
Annual Building Block Revenue Requirement	\$'000	6,219,647
Unrecovered Costs	\$'000	1,116,346
Opening ICRA - Nominal	\$'000	36,183,087
Closing ICRA - Nominal	\$'000	39,120,729
Opening ICRA - Real	\$'000	32,254,115
Closing ICRA - Real	\$'000	32,853,966
Carry Forward Revenue Adjustment	\$'000	n/a
Regulated Revenue	\$'000	n/a
Revenue Variation	\$'000	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) reflects the business and structure of NBN Co and meets the financial reporting requirements of the NBN Co Special Access Undertaking (SAU).
- (b) Schedules 6 to 9, Statement of Capital Expenditure, 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) as at 30 June 2022:
  - i. are prepared in accordance with the principles of the RAAM dated 30 June 2022;
  - ii. are prepared in accordance with note 1 (Basis of Preparation); and
  - iii. have been reconciled with NBN Co’s Audited General Purpose Financial Statements.
- (c) Schedule 10, Statement of LTRCM and RAB items has been prepared in accordance with the reporting requirements of the SAU.



Philip Knox

Chief Financial Officer of NBN Co

Date: 28 October 2022

**Schedule 11 - Statement of Material Operating Expenditure, Capital Expenditure and Construction in Progress Variances  
For the year ended 30 June 2022**

Description	FY 2022			Commentary
	Forecast \$'000	Actual \$'000	Variance \$'000	
<b>Capital Expenditure</b>				
<b>Network Assets - Tangible</b>				
Access - Passive				
Access - Active				
Transit - Passive				
Transit - Active				
Wireless - Passive				
Wireless - Active				
Satellite - Active				
HFC - Passive				
HFC - Active				
<b>Network Assets - Intangible</b>				
<b>Total Network Assets</b>		<b>1,825,340</b>		
Non Network Assets		363,051		
<b>Total Non Network Assets</b>		<b>363,051</b>		
Inventory (Spares)		(1,673)		
<b>Grand Total</b>		<b>2,186,718</b>		
Description	Forecast \$'000	Actual \$'000	Variance \$'000	Commentary
<b>Construction in Progress</b>				
Opening value (Including Working Inventory)		1,148,404		
Closing value (Including Working Inventory)		1,558,481		
Description	Forecast \$'000	Actual \$'000	Variance \$'000	Commentary
<b>Operating Expenditure</b>				
Direct telecommunications costs		1,879,937		
Employee benefit expenses		706,152		
IT and software expenses		195,714		
Communication and public information		46,651		
Other expenses		289,805		
<b>Total Operating Expenditure</b>		<b>3,118,259</b>		

Note 1: The actual values have been reported on a basis consistent with the presentation of NBN Co's Audited General Purpose Financial Statements.

## **NBN Co Limited**

### **Schedule 12 - Expenditure Compliance Report**

#### **For the year ended 30 June 2022**

#### **CERTIFICATION OF THE CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 1F.2.1(a) OF NBN Co's SPECIAL ACCESS UNDERTAKING<sup>1</sup>**

As Chief Financial Officer, I have not become aware of any matter that would lead me to believe that NBN Co Limited (NBN Co) has not maintained, in all material respects, key control procedures that were adequately designed and operated effectively in relation to the requirements of Clause 1F.2.1(a) of the NBN Co Special Access Undertaking for the period 1 July 2021 to 30 June 2022.

Based on my knowledge of the effective operation of the key control procedures over Expenditure Compliance and on the basis that nothing has come to my attention that causes me to believe anything to the contrary, the Capital Expenditure proposed for inclusion in the RAB was in all material respects:

- incurred in accordance with the Prudent Cost Condition and the Prudent Design Condition; or
- incurred between the Cost Commencement Date and the SAU Commencement Date or in connection with one of the matters specified in clause 1D.3.2(a)(ii).

Based on my knowledge of the effective operation of the key control procedures over Expenditure Compliance Reporting and on the basis that nothing has come to my attention that causes me to believe anything to the contrary, the Operating Expenditure proposed for inclusion in the ABBRR was in all material respects:

- incurred in accordance with clause 1E.8.3; or
- incurred between the Cost Commencement Date and the SAU Commencement Date; or in connection with one of the matters specified in clause 1E.8.2(a)(ii).



Philip Knox

Chief Financial Officer of NBN Co

Dated: 28 October 2022

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<sup>1</sup> All capitalised terms and clause references are as per the NBN Co Special Access Undertaking as accepted by the ACCC on 13 December 2013.

# NBN Co Limited

## Schedule 13 - Procurement Rules Compliance Report

### For the year ended 30 June 2022

#### **CERTIFICATION OF THE CHIEF PROCUREMENT OFFICER PURSUANT TO SECTION 1F.2.3(a) OF NBN Co's SPECIAL ACCESS UNDERTAKING<sup>1</sup>**

Based on my knowledge, and on the basis that nothing has come to my attention that causes me to believe anything to the contrary, during the period 1 July 2021 to 30 June 2022:

- the Procurement Rules satisfied the requirements in clause 1D.5.1.



Emily Hall

Executive General Manager Procurement of NBN Co

Dated: 28 October 2022

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<sup>1</sup> All capitalised terms and clause references are as per the NBN Co Special Access Undertaking as accepted by the ACCC on 13 December 2013.



## NBN Co Limited

### Schedule 14 - Price Compliance Report

#### For the year ended 30 June 2022

#### **CERTIFICATION OF THE CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 1F.3(a) OF NBN Co's SPECIAL ACCESS UNDERTAKING<sup>1</sup>**

As Chief Financial Officer, I have not become aware of any matter that would lead me to believe that NBN Co Limited (NBN Co) has not maintained, in all material respects, key control procedures that were adequately designed and operated effectively in relation to the requirements of Clause 1F.3(a) of the NBN Co Special Access Undertaking for the period 1 July 2021 to 30 June 2022.

Based on my knowledge of the effective operation of the key control procedures over Price Compliance Reporting and on the basis that nothing has come to my attention that causes me to believe anything to the contrary:

- the Price for the supply of each NBN Offer did not exceed, at any time during the period 1 July 2021 to 30 June 2022, the Maximum Regulated Price applicable to that NBN Offer at the relevant point in time;
- the Price of each Other Charge imposed did not exceed, at any time during the period 1 July 2021 to 30 June 2022, the Maximum Regulated Price for that Other Charge at the relevant point in time; and
- Prices complied with the requirements of Schedule 1C (NBN Offers and Other Charges).

For the purpose of this certification, the Price of each NBN Offer and Other Charge at any time during the Financial Period was ascertained from the relevant Standard Form of Access Agreement.



Philip Knox

Chief Financial Officer of NBN Co

Dated: 28 October 2022

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<sup>1</sup> All capitalised terms and clause references are as per the NBN Co Special Access Undertaking as accepted by the ACCC on 13 December 2013.