



**NBNCo**  
Limited

**Broadbanding**  
**Australia**

**NBN Co Limited**

A.C.N. 136 533 741

**Annual Report**  
**2008-09**

## **DIRECTORS' REPORT**

### **PRINCIPAL ACTIVITIES**

The principal activities of the NBN Co Limited (the Company) are to build and operate a National Broadband Network to deliver telephony and high speed broadband to Australian homes, schools and businesses.

### **OPERATING AND FINANCIAL REVIEW**

The Company was established on 9 April 2009. Financial activities to 30 June 2009 have been limited to raising initial capital and expenses associated with the establishment of corporate functions and governance and accountability arrangements.

### **OPERATING RESULTS FOR THE PERIOD**

The net result of the company for the period from 9 April 2009 to 30 June 2009 was a deficit of \$139,329.

### **SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS**

The Company was incorporated on 9 April 2009. During the period from 9 April 2009 to 30 June 2009 the Company raised capital of \$10 million and incurred some initial operational expenses.

### **AFTER THE BALANCE SHEET DATE EVENTS**

On 16 July 2009, the Australian Government announced the establishment a new company, NBN Tasmania Limited (NBN Tasmania). This subsidiary of NBN Co Limited will become a joint venture operation with the Tasmanian government owned company, Aurora Energy Pty Ltd. NBN Tasmania has been established to roll out and establish the National Broadband Network in Tasmania. This will involve the construction of a fibre-to-the-premises network to deliver speeds of 100 megabits per second, to around 200,000 Tasmanian households and businesses.

### **DIRECTORS**

#### ***Interim Board***

The names and details of the Company's interim board of directors during the period 9 April 2009 to 6 August 2009 are as follows:

David John Martine, Director, appointed 9 April 2009 to 6 August 2009

David John Yarra PSM, Director, appointed 9 April 2009 to 6 August 2009

James David Alan Cameron, Director, appointed 9 April 2009 to 6 August 2009

Martin Hoffman, Director, appointed 6 July 2009 to 6 August 2009

#### ***Interim Directors' Experience and Special Responsibilities***

**David Martine** is a senior executive within the Commonwealth Department of the Treasury, currently responsible for the oversight of financial system policy issues. He has previous experience in advising Government on budget and fiscal strategy, along with oversight of Government Business Enterprises.

**David Yarra** is a career public servant of 34 years with experience in the preparation of the Commonwealth Budget, overseeing major government asset sales and as a director of a number of Government Business Enterprises.

**James Cameron** joined the Australian public service in 1991 and has worked across a number of policy areas, including small business, industry research and development, telecommunications, broadcasting, information and communications technology, the arts and sport.

**Martin Hoffman** joined the Australian Public Service in March 2009 in the Department of Prime Minister & Cabinet as Executive Co-ordinator, Strategic Policy & Implementation. Mr Hoffman previously had an extensive private sector career in digital media and technology sector, most recently as Chief Executive Officer and a director of the mobile social networking services company MOKO. mobi Ltd. Mr Hoffman is a director and the honorary treasurer of the Garvan Institute of Medical Research.

#### ***Current Board as at the date of this Directors' Report***

Michael Quigley, Executive Chairman and Chief Executive Officer, appointed: 24 July 2009

Doug Campbell AM, Director, appointed 6 August 2009

Peter Hay, Director, appointed 6 August 2009

Siobhan McKenna, Director, appointed 6 August 2009

Diane Smith-Gander, Director, appointed 6 August 2009

Gene Tilbrook, Director, appointed 6 August 2009

#### ***Current Directors' Experience and Special Responsibilities***

**Michael Quigley** was born in Kent, England in 1953. He is an Australian citizen and holds a Bachelor of Science and Bachelor of Engineering (Hons) (UNSW). Mr Quigley's early career was in the area of research and development and technical management before becoming responsible for Alcatel's business in Australia and New Zealand. Mr Quigley has held a number of senior positions in Alcatel, including Chief Operating Officer and then President and Chief Executive Officer of Alcatel USA, President of Alcatel's Fixed Communications Group in Paris, responsible for infrastructure products, including network switches and optical communications systems, and President and Chief Operating Officer of Alcatel. Mr Quigley will remain a director of the Prince of Wales Medical Research Institute.

**Doug Campbell AM** was born in Canada and has been an Australian citizen since 1990. He holds a Bachelor of Engineering in Civil Engineering and had 30 years experience in Canada in telecommunications. Mr Campbell held a number of senior positions over 18 years in Telstra Corporation including the Group Managing Director of Network and Technology for 6 years and the Group Managing Director of Wholesale Services. He was the key architect and Group Managing Director of the Telstra Country Wide Division until 2006. Mr Campbell was awarded an Order of Australia in 2006 for his service to business and to the community, particularly as a contributor to the development of communications services in regional and remote areas of Australia. He was also awarded the Charles Todd Medal as Communicator of the Year in 2003.

**Peter Hay** is a former Chief Executive Officer of law firm Freehills. Previously, he practiced company law with a particular expertise in mergers and acquisitions. He spent much of 1993 to 1999 advising governments and government-owned enterprises on industry reform and preparing for and implementing energy sector privatisation.

**Siobhan McKenna** holds a Bachelor of Economics (Hons) from the ANU and a Master of Philosophy (International Relations) from Cambridge University. Ms McKenna is a Commissioner of the Productivity Commission; she has focused on business regulation since being appointed to the Commission (initially as an Associate Commissioner) in June 2007.

Ms McKenna is also the Managing Partner of Illyria, a media-focused investment company. Previously, Ms McKenna was a Partner at McKinsey & Company, an international management consulting firm, where she provided advice to companies on productivity matters and the development of effective regulatory strategies.

**Diane Smith-Gander** was previously the head of Westpac Banking Corporation's Business & Technology Solutions & Services Division. Before rejoining Westpac, Ms Smith-Gander was a partner with McKinsey & Company in the USA where she led major transformation projects with a focus on post merger integration (including IT integration) and organisational restructuring. Between 1990 and 2000 she worked for Westpac in a range of executive level roles. Prior to 1990, she worked in Sydney and Hong Kong for PA Consulting Group, focusing on performance improvement for retail financial institutions. Ms Smith-Gander is a board member of Basketball Australia and a past chairperson of the Australian Sports Drug Agency.

**Gene Tilbrook** previously worked for Wesfarmers Limited, a major Australian-listed company with diversified interests, as Finance Director from 2005 to 2009. Prior to that, he was Director Business Development. Mr Tilbrook was involved in many of the transactions that made Wesfarmers a successful diversified group, as well as corporate planning, information technology and project financing. Mr Tilbrook is also a councillor of Curtin University of Technology and the Australian Institute of Company Directors, Western Australia Division; and a member of the boards of the Perth International Arts Festival and Committee for Perth.

#### **COMPANY SECRETARY**

Mr Norm Holcroft was appointed Company Secretary for the period 9 April 2009 to 28 June 2009.

Ms Alisa Taylor was appointed Company Secretary on 29 June 2009. Ms Taylor is an associate lawyer of Meyer Vandenberg Lawyers.

#### **INTERESTS IN THE SHARES OF THE COMPANY**

The directors have no interests in the shares of the Company.

#### **DIVIDENDS**

No dividends were declared during the reporting period from 9 April 2009 to 30 June 2009.

#### **CORPORATE INFORMATION**

NBN Co Limited is a company limited by shares that is incorporated and domiciled in Australia. The registered office and principal place of business of the Company is:

Level 3, 1 Farrell Place  
Canberra City ACT 2601

**INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS**

The Australian Government indemnified the interim directors of the Company against any liability in respect of claims or legal costs and expenses in defending claims or undertaking proceedings, that may arise in their capacity as a director of the Company. As at 30 June 2009, no claims have been made.

**DIRECTORS' MEETINGS**

The number of meetings of directors held during the period from 9 April 2009 to 30 June 2009 and the number of meetings attended by each directors were as follows:

|               | Directors' meetings       |                 |
|---------------|---------------------------|-----------------|
|               | Number eligible to attend | Number attended |
| David Martine | 6                         | 6               |
| David Yarra   | 6                         | 6               |
| James Cameron | 6                         | 6               |

No other committees met during the reporting period.

**ROUNDING**

The amounts contained in this report and in the financial statements have been rounded to the nearest \$1,000 (where rounding is applicable).

**AUDITOR INDEPENDENCE**

The directors received an independence declaration from the Auditor-General. A copy of the report has been included with the financial report.

**NON-AUDIT SERVICES**

No non-audit services have been provided by the Auditor-General or the Australian National Audit Office.

Signed in accordance with a resolution of the directors:



Michael Quigley  
 Executive Chairman and Chief Executive Officer  
 21 September, 2009  
 Melbourne

## INCOME STATEMENT

for the period ended 30 June 2009

|                               | Notes | Period 9 Apr 09 to<br>30 Jun 09<br>\$'000 |
|-------------------------------|-------|---|
| <b>REVENUE</b>                |       |   |
| Revenue                       |       | -   |
| <b>TOTAL REVENUE</b>          |       | <b>-</b>                                  |
| <b>EXPENSES</b>               |       |   |
| Suppliers                     | 3     | ( 139 )                                   |
| <b>TOTAL EXPENSES</b>         |       | <b>( 139 )</b>                            |
| <b>Loss before income tax</b> |       |   |
| Income tax expense            | 14    | -   |
| <b>NET LOSS</b>               |       | <b>( 139 )</b>                            |

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

## BALANCE SHEET

as at 30 June 2009

|                                      | Notes | 30 June 2009<br>\$'000 |
|--------------------------------------|-------|------------------------|
| <b>ASSETS</b>                        |       |                        |
| <b>Current Assets</b>                |       |                        |
| Cash at bank                         | 4     | 10,000                 |
| Trade and other receivables          | 5     | 14                     |
| <b>Total Current Assets</b>          |       | <b>10,014</b>          |
| <b>Total Non-Current Assets</b>      |       | <b>-</b>               |
| <b>TOTAL ASSETS</b>                  |       | <b>10,014</b>          |
| <b>LIABILITIES</b>                   |       |                        |
| <b>Current Liabilities</b>           |       |                        |
| Other payables                       | 6     | 153                    |
| <b>Total Current Liabilities</b>     |       | <b>153</b>             |
| <b>Total Non-Current Liabilities</b> |       | <b>-</b>               |
| <b>TOTAL LIABILITIES</b>             |       | <b>153</b>             |
| <b>NET ASSETS</b>                    |       | <b>9,861</b>           |
| <b>EQUITY</b>                        |       |                        |
| Contributed equity                   | 9     | 10,000                 |
| Retained deficit                     |       | ( 139 )                |
| <b>TOTAL EQUITY</b>                  |       | <b>9,861</b>           |

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

## STATEMENT OF CHANGES IN EQUITY

as at 30 June 2009

|  | <b>Retained<br/>Earnings</b> | <b>Contributed<br/>Equity/<br/>Capital</b> | <b>Total</b>           |
|--|------------------------------|--|------------------------|
|  | <b>2009<br/>\$'000</b>       | <b>2009<br/>\$'000</b>                     | <b>2009<br/>\$'000</b> |
| <b>Opening Balance at 9 April 2009</b>                             | -                            | -  | -                      |
| <b>Income and Expense</b>  |                              |  |                        |
| Income and expense recognised directly in equity                   | -                            | -  | -                      |
| <b>Sub-total income and expenses recognised directly in equity</b> | -                            | -  | -                      |
| Loss for the period  | ( 139 )                      | -  | ( 139 )                |
| <b>Total income and expenses</b>                                   | ( 139 )                      | -  | ( 139 )                |
| <b>Transactions with owners</b>                                    |                              |  |                        |
| <b>Contributions by Owners</b>                                     |                              |  |                        |
| Equity injection   | -                            | <b>10,000</b>                              | <b>10,000</b>          |
| <b>Sub-total Transactions with owners</b>                          | -                            | <b>10,000</b>                              | <b>10,000</b>          |
| <b>Closing balance as at 30 June 2009</b>                          | ( 139 )                      | <b>10,000</b>                              | <b>9,861</b>           |

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

## CASH FLOW STATEMENT

as at 30 June 2009

|   | Notes    | Period 9 Apr 09 to<br>30 Jun 09<br>\$'000 |
|---|----------|---|
| <b>FINANCING ACTIVITIES</b>   |          |   |
| <b>Cash received</b>  |          |   |
| Contributed equity  |          | 10,000                                    |
| <b>Net cash from financing activities</b>                           |          | <u>10,000</u>                             |
| <b><i>Net increase in cash held</i></b>                             |          | <b>10,000</b>                             |
| Cash and cash equivalents at the beginning of the reporting period  |          | -   |
| <b>Cash and cash equivalents at the end of the reporting period</b> | <b>7</b> | <u><u>10,000</u></u>                      |

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

## **SCHEDULE OF COMMITMENTS**

*as at 30 June 2009*

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The Company has no commitments as at 30 June 2009.

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

## **SCHEDULE OF CONTINGENCIES**

*as at 30 June 2009*

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There are no quantifiable or unquantifiable contingent assets or liabilities as at 30 June 2009.

The Company does not have any remote contingencies as at 30 June 2009.

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

## **INDEX TO THE NOTES TO THE FINANCIAL STATEMENTS**

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## Note 1: Summary of significant accounting policies

The significant policies which have been adopted in the preparation of this financial report are:

### a) Basis of Accounting

The financial statements and notes are required by clause 1(b) of Schedule 1 to the *Commonwealth Authorities and Companies Act 1997* (CAC Act) and are a general purpose financial report.

The financial report has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standards issued by the Australian Accounting Standards Board.

The financial report has been prepared on an accrual basis and is prepared in accordance with the historical cost convention. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position.

The financial report is presented in Australian dollars and values are rounded to the nearest thousand dollars unless disclosure of the full amount is specifically required.

Unless alternative treatment is specifically required by an accounting standard, assets and liabilities are recognised in the Balance Sheet when and only when it is probable that future economic benefits will flow and the amounts of the assets or liabilities can be reliably measured. However, assets and liabilities arising under agreements equally proportionately unperformed are not recognised unless required by an accounting standard.

Unless alternative treatment is specifically required by an accounting standard, revenues and expenses are recognised in the Income Statement when and only when the flow, consumption or loss of economic benefits has occurred and can be reliably measured.

### b) Statement of Compliance

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

### c) Significant Accounting Judgements, Estimates and Assumptions

The preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates. No accounting assumptions or estimates have been identified that have a significant risk of causing material adjustment to carrying amounts of assets and liabilities within the next accounting period.

### d) New Accounting Standards

#### *Adoption of New Australian Accounting Standard Requirements*

The following new standards and amendments to standards are applicable to the current reporting period:

AASB 2007-9 Amendments to Australian Accounting Standards arising from the Review of AASs 27, 29 and 31 – The amendments were issued as a result of the review of AAS 27 Financial Reporting by Local Governments, AAS 29 Financial Reporting by Government Departments and AAS 31 Financial Reporting by Governments and largely relocates these industry-based standards to topic-based standards. Requirements from AASs 27, 29 and 31 are substantively unamended (with some exceptions).

It is not expected that the relocation of AASs 27, 29 and 31 will have a material financial impact but will affect the disclosures presented in future financial reports.

**d) New Accounting Standards (continued)**

New and amended standards and interpretations that have no material impact on the Company have not been disclosed here.

*Future Australian Accounting Standard Requirements*

The following new standards, amendments to standards and interpretations have been issued by the Australian Accounting Standards Board, but are effective for future reporting periods. It is estimated that the impact of adopting these pronouncements when effective will have no material financial impact on future reporting periods.

- AASB 101 (Revised), AASB 2007-8 and AASB 2007-10 Presentation of Financial Statements and consequential amendments to other Australian Accounting Standards - Introduces a statement of comprehensive income. Other revisions include impacts on the presentation of items in the statement of changes in equity, new presentation requirements for restatements or reclassifications of items in the financial statements and changes to the titles of the financial statements.
- AASB 2008-5 Amendments to Australian Accounting Standards arising from the Annual Improvements Project and AASB 2008-6 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project - The improvements project is an annual project that provides a mechanism for making non-urgent, but necessary, amendments to AASBs. This standard affects various AASBs, resulting in minor changes for recognition, measurement, presentation, and disclosure purposes
- AASB 2008-9 Amendments to AASB 1049 for Consistency with AASB 101 – Reflects the revised requirements of AASB 101 and AASB 2007-8 with clarification to apply the requirements in a Government context.

New and amended standards and interpretations that apply to future reporting periods and will have no material impact on the Company, have not been disclosed here.

**e) Revenue**

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

*Revenue from Government*

Funding received or receivable from Commonwealth agencies is recognised as Revenue from Government unless they are in the nature of an equity injection.

**f) Transactions with the Government as Owner**

Amounts that are designated as equity injections for the financial period are recognised directly in contributed equity in that financial period.

**g) Income Tax**

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognised for all taxable temporary differences except where the deferred income tax

**g) Income Tax (continued)**

liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the financial period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Income taxes relating to items recognised directly in equity are recognised in equity and not in the Income Statement.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets.

**h) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the Australian Taxation Office (ATO). In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Payables are stated inclusive of the amount of GST payable. The net amount of GST payable to, the ATO is included as other payables in the Balance Sheet.

Commitments and contingencies are disclosed net of the amount of GST recoverable from or payable to, the ATO.

**i) Financial Risk Management**

The Company's financial instruments comprise cash and cash equivalents and trade and other payables.

As a result of the nature of the Company's operations, the Company's exposure to market, credit, liquidity, and fair value interest rate risk is considered to be low.

See Note 15 for more details.

**j) Cash and Cash Equivalents**

Cash and Cash equivalents includes Cash at Bank. This includes notes held and any deposits in bank accounts with an original maturity of 3 months or less. Cash is recognised at nominal amount.

**k) Trade and Other Receivables**

Trade and other receivables have fixed or determinable payments. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. There are no non-current trade or other receivables.

Trade and other receivables primarily comprises GST receivable from the Australian Taxation Office. Receivables are non-interest bearing and their fair values approximate their carrying values. No allowance has been made for doubtful debts as there is no objective evidence that the company will not be able to collect the debts.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS** as at 30 June 2009**l) Other Payables**

Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the entity and are carried at amortised cost.

**m) Contributed Equity**

Ordinary shares are classified as equity.

**n) Going Concern**

Notwithstanding the net loss incurred by the Company during the period, the financial report has been prepared on a going concern basis. This basis has been applied as the Commonwealth government is supporting the Company in addition to being the primary source of funding for the Company in the near term.

**Note 2: Events after the Balance Sheet date**

On 16 July 2009, the Australian Government announced the establishment a new company, NBN Tasmania Limited (NBN Tasmania). This subsidiary of NBN Co Limited will become a joint venture operation with Aurora Energy Pty Ltd. NBN Tasmania has been established to roll out and establish the National Broadband Network in Tasmania. This will involve the construction of a fibre-to-the-premises network to deliver speeds of 100 megabits per second, to around 200,000 Tasmanian households and businesses.

**Period 9 Apr 09  
to 30 Jun 09  
\$'000**

**Note 3: Expenses****Suppliers**

Provision of administration services - related parties

( 139 )

**Total suppliers**

( 139 )

**30 Jun 2009  
\$'000**

**Note 4: Cash and cash equivalents**

Cash at bank

10,000

**Total cash and cash equivalents**

10,000

**Note 5: Trade and other receivables**

GST receivable from the Australian Taxation Office

14

**Total trade and other receivables**

14

**Note 6: Other payables**

Accrued expenses

153

**Total other payables**

153

Settlement is usually made within 30 days.

**30 Jun 2009**  
**\$'000**

**Note 7: Cash flow reconciliation**

Reconciliation of cash and cash equivalents as per Balance Sheet to Cash Flow Statement

|   |        |
|---|--------|
| Cash at period end per Cash Flow Statement                | 10,000 |
| Balance Sheet items comprising cash and cash equivalents: |        |
| Cash at bank  | 10,000 |
| <b><i>Difference</i></b>                                  | -      |

**Reconciliation of operating result to net cash from operating activities:**

|  |         |
|--|---------|
| Operating result - deficit                                   | ( 139 ) |
| Increase in trade and other receivables                      | ( 14 )  |
| Increase in trade and other payables                         | 153     |
| <b><i>Net cash from / (used by) operating activities</i></b> | -       |

**Note 8: Contingent assets and liabilities**Quantifiable Contingencies

There are no quantifiable or unquantifiable contingent assets or liabilities as at 30 June 2009.

The Company does not have any remote contingencies as at 30 June 2009.

**Note 9: Contributed equity**

|                           |            |
|---------------------------|------------|
| (a) Share Capital         |            |
| Fully paid                | 10,000     |
| Number of ordinary shares | 10,000,010 |

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

The shares have no par value.

**Note 10: Directors' remuneration**

All directors of the Company are appointed by the Commonwealth of Australia. The Directors receive no additional remuneration for performing duties of directors.

**Note 11: Executive remuneration**

There were no executives appointed by the Company during the reporting period 9 April 2009 to 30 June 2009.

Michael Quigley was appointed as the Executive Chairman and Chief Executive Officer on 24 July 2009.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS** as at 30 June 2009

**Note 12: Remuneration of auditors**

**Period 9 Apr 09 to  
30 Jun 09**  
**\$**

Financial statement audit services are provided to the Company by the Auditor-General:

The fair value of the services provided was:

**4,000**

No other services were provided by the Auditor-General during the reporting period.

**Note 13: Related party disclosures**

On 30 June 2009, the Company entered into an agreement with the Department of Broadband, Communications and the Digital Economy (the Department) to provide corporate services support to the Company as an interim arrangement until the Company is sufficiently established to take on this role itself.

At 30 June 2009, the Company had accrued \$135,329 in expenses relating to the provision of corporate services from the Department.

**Period 9 Apr  
09 to 30 Jun 09**

**Note 14: Income tax expense**

**\$'000**

- (a) **Income tax expense**  
Current tax

-  
-

- (b) **Numerical reconciliation of income tax expense / (benefit) to prima facie tax payable**

Operating result before income tax expense  
Tax at the Australian tax rate of 30%

( 139 )  
( 42 )

**Adjustments in respect of current income tax:**

Expenditure not allowable for income tax purposes  
Loss not recognised

-  
42

**Income tax expense**

-

- (c) **Tax Losses**

The Company has accumulated tax losses of \$139,329 for which no deferred tax asset has been recognised. The deferred tax asset associated with the loss will only be realised in the future when sufficient taxable profits are available to utilise the losses, subject to loss recoupment rules.

|  | Notes | <b>30 June 2009</b>  |
|--|-------|----------------------|
|  |       | <b>\$'000</b>        |
| <b>Note 15: Financial instruments</b>                  |       |                      |
| <u>Note 15A: Categories of financial instruments</u>   |       |                      |
| <b>Financial assets</b>                                |       |                      |
| Cash at bank   |       | <u>10,000</u>        |
| <b><i>Carrying amount of financial assets</i></b>      |       | <u><u>10,000</u></u> |
| <b>Financial Liabilities</b>                           |       |                      |
| At amortised cost:                                     |       |                      |
| Other payables   |       | <u>153</u>           |
| <b><i>Carrying amount of financial liabilities</i></b> |       | <u><u>153</u></u>    |

Note 15B: Net income and expense from financial assets and liabilities

There are no income or expenses from financial assets or liabilities.

Note 15C: Fair value of financial instruments

**Financial Assets**

|                                      |          |                      |
|--------------------------------------|----------|----------------------|
| Cash at bank                         | <b>4</b> | <u>10,000</u>        |
| <b><i>Total financial assets</i></b> |          | <u><u>10,000</u></u> |

**Financial Liabilities**

|   |          |                   |
|---|----------|-------------------|
| Other payables                            | <b>6</b> | <u>153</u>        |
| <b><i>Total financial liabilities</i></b> |          | <u><u>153</u></u> |

*Financial Assets*

The net fair value of cash at bank approximates to its carrying amount.

*Financial Liabilities*

The net fair values of other payables, which are short-term in nature, are approximated by their carrying amounts.

**Note 15: Financial instruments** (continued)Note 15D: Credit risk exposures

The Company's maximum exposure to credit risk at reporting date in relation to its cash at bank is its carrying amount as indicated in the Balance Sheet.

On 12 October 2008, the Australian Government announced temporary arrangements to enable the provision of a guarantee for the deposits and wholesale funding of Australian deposit-taking institutions (ADIs). Of the Company's bank deposits totalling \$10 million held with Westpac Banking Corporation, \$1 million of this is covered under this Guarantee Scheme.

Note 15E: Liquidity risk

The Company's financial liabilities are other payables. The exposure to liquidity risk is based on the notion that the Company will encounter difficulty in meeting its obligations associated with financial liabilities. This is considered highly unlikely as the Commonwealth Government is the primary source of funding for the Company in the near term. This is supported by the internal policies and procedures put in place by the Company to manage cash balances to ensure there are appropriate resources to meet its financial obligations.

The Company has policies in place to ensure the timely payment of financial liabilities are made when due and has no past experience of default.

The following table illustrates the maturities for financial liabilities:

|                | On demand<br>2009<br>\$'000 | Within 1<br>year<br>2009<br>\$'000 | 1 to 5 years<br>2009<br>\$'000 | > 5 years<br>2009<br>\$'000 | Total<br>2009<br>\$'000 |
|----------------|-----------------------------|------------------------------------|--------------------------------|-----------------------------|-------------------------|
| Other payables | 153                         | -                                  | -                              | -                           | 153                     |
| <b>Total</b>   | <b>153</b>                  | <b>-</b>                           | <b>-</b>                       | <b>-</b>                    | <b>153</b>              |

Note 15F: Market risk

The Company holds basic financial instruments that do not expose it to market risks.

Interest rate risk

The only interest bearing items in the Balance Sheet are cash and cash equivalents. These are held in a bank account with a floating interest rate.

In the Directors' opinion,

- (a) the financial statements and notes of the Company are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of the Company's financial position as at 30 June 2009 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, for the financial period ended on that date; and
- (b) there are reasonable grounds to believe that the Company 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.

On behalf of the Board:



Michael Quigley  
Executive Chairman and Chief Executive Officer  
11 September 2009  
Melbourne



**NBN Co Limited Financial Report 2008–09  
Auditor's Independence Declaration**

In relation to my audit of the financial report of the NBN Co Limited the period ended 30 June 2009, 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 contravention of any applicable code of professional conduct.

Australian National Audit Office

A handwritten signature in blue ink that reads 'Alana Foster'.

Alana Foster  
Executive Director  
Delegate of the Auditor-General  
Canberra  
21 September 2009



## INDEPENDENT AUDITOR'S REPORT

To the members of NBN Co Limited

### Scope

I have audited the accompanying financial report of NBN Co Limited, which comprises the Balance Sheet as at 30 June 2009, and the Income Statement, Statement of Changes in Equity and Cash Flow Statement for the period from 9 April to 30 June 2009, Notes to and forming part of the Financial Statements including a Summary of Significant Accounting Policies, and the Directors' Declaration.

### *The Directors' Responsibility for the Financial Report*

The directors of NBN Co Limited are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

### *Auditor's Responsibility*

My responsibility is to express an opinion on the financial report based on my audit. I conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

***Independence***

In conducting my audit, I have complied with the independence requirements of the *Corporations Act 2001*.

**Auditor's Opinion**

In my opinion:

- (b) the financial report of NBN Co Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of NBN Co Limited's financial position as at 30 June 2009 and of its performance for the period from 9 April to 30 June 2009; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (c) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Australian National Audit Office



Alana Foster  
Executive Director  
Delegate of the Auditor-General

Canberra  
21 September 2009

