enable
fibre broadband

Enable Services Limited
Annual Report 2023

Contents

Keeping the Christchurch region connected

Enable is immensely proud of the world-class fibre network we maintain for our community, and in this past financial year achieved the milestone of 150,000 connected customers across the greater Christchurch region.

As an essential infrastructure provider, Enable's fibre network now passes over 210,000 properties, and is connected to over 14,500 businesses and 136,000 homeowners.

Enable has continued to expand its network footprint with on-going growth in greenfield subdivisions, network extensions to serve existing brownfield properties and through densification of urban areas with multi-dwelling units. In total in the past 12 months, Enable extended its network by 184 kms and added over 4,000 properties to the coverage area.

Along with an unrelenting focus on customers, we have continued to prioritise efficiency gains, leveraging the strong relationship we have with our field services contractor to identify and realise opportunities for improvement in network deployment and connection practices.

Even with COVID-19 largely behind us, we are not alone in having on-going challenges in field service resourcing which has been impacted due to border restrictions and migration policies, and it has taken longer than expected to alleviate those pressures.

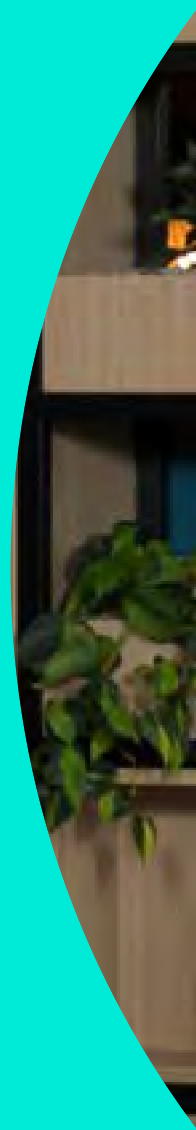
While our standard time to connect was longer during the year, this started to trend downwards during Q4 and we ended the year in line with expectations. However, connection times for more complex builds, such as right of ways where consent may be required, remained higher throughout the year but have also begun trending down.

Despite the challenges we are pleased to have achieved a customer Net Promoter Score of 51 overall, which is a testament to the importance we place on meeting customer expectations and continuing to deliver a great customer experience.

Enable's fibre network now passes over 210,000 properties, and is connected to over 14,500 businesses and 136,000 homeowners.

2023
Our annual review

Chair and CEO introduction



The 2023 year has been one of continued growth yielding another strong financial result with an after-tax profit of $28m and a dividend to the city of $20m, but also one in which we have achieved a number of landmark initiatives.

Continued customer growth, despite an increasingly competitive market, has come about through an on-going focus on realising new market opportunities, network growth, and leveraging the strong relationships we have with our retail service providers. All of which has culminated in achieving the milestone of 150,000 customers and contributed to Operating Revenue growth of 14%, passing $100m for the first time.

Along with that, Enable has seen its core asset base grow to $791m, up from $721m in the 2022 year, of which $780m is UFB network, up from $709m, adding to the strength of its financial position.

Understanding that Enable people are critical to our success, we have implemented a number of new initiatives that build on Enable's employer brand and make Enable an attractive place to work. By way of example, we have introduced a new parental leave package whereby Enable will top up a primary caregiver's paid parental leave payment to 100% for the first 26 weeks. We have also continued our focus on ensuring we provide, as a minimum, a living wage to our employees and an on-going assessment of pay equity. In addition, we have implemented a leave purchasing policy where Enable people can purchase an additional one or two-weeks leave beyond the four-week entitlement.

We have also maintained our focus on health, safety and wellness to ensure we keep our people safe and maintain appropriate work practices.

Furthering the investment we are making in our people, we have supported leadership development programmes and provided internal leadership opportunities.

We were excited to have had three of our team nominated in the 2023 Women in ICT Awards which honour female excellence within the technology sector. Those nominees are excellent ambassadors for Enable and we are proud that they were acknowledged in this way, through the Awards.

Our significant technology replacement programme has continued during the year with a concerted effort being maintained to ensure a seamless transition for our retail customers and end-users. This is a multi-year programme that represents significant change for Enable, requiring on-going investment. The programme involves replacement of our Layer 2 aggregation and access networks, replacing Huawei equipment with Nokia and Cisco, and the implementation of a new Operational Support System, which will allow us to automate and rapidly add new features and innovations to support provisioning services to customers. Once complete, it will ensure we are able to meet the markets' future needs for high-quality fibre-based connectivity solutions and that we have the support systems to enable network management and deployment.

We are also very proud to have become a Certified B Corporation™, leading the telecommunications sector in New Zealand and joining a global movement of similar minded organisations focused on being a force for good. We began our B Corp™ journey in 2021 and have worked through a rigorous process to achieve certification. This is a testament to the great work we already do but has also highlighted areas where we can continue to focus and improve.

Justin Murray, Chair

Johnathan Eele, Chief Executive

Financial performance

Million
Total assets
$819.9

Million
Dividend
$20.0

Million
Net profit after tax
$28.3

Million
Telecommunications revenue (gross)
$100.8

In the 2023 financial year we paid a dividend of $20m to Christchurch City. This was in line with the return targeted in the 2023 Statement of Intent (SOI) and aligns with our commitment to a long-term dividend payment programme.

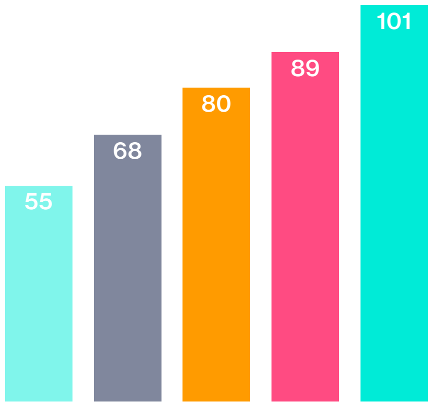
The net profit after tax of $28.3m was ahead of target and a 25% increase on the 2022 result of $22.5m, reflecting our increased income base, predominantly from our wholesale fibre broadband services. The gross telecommunications revenue was $100.8m up from $89.0m in the previous year, and ahead of our SOI target of $98.6m.

The value of total assets has increased by 9% to $819.9m due to continued investment in our network of $35m and an uplift in valuation of $59m.

The result for the year reflects continued steady growth and strong financial management as we continue to operate and maintain the network and capitalise on growth opportunities as they arise. The overall result and targeted future performance continues to be in line with the expectations of our shareholder and what would be expected of an infrastructure business at this stage of its maturity.

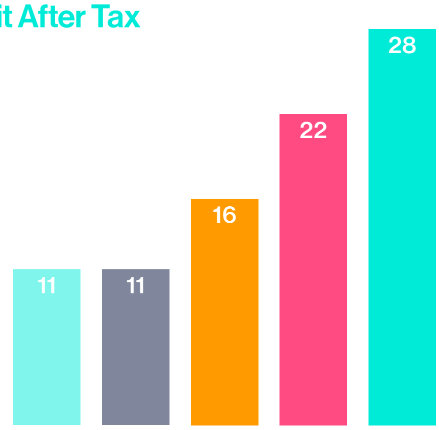
Millions

Revenue



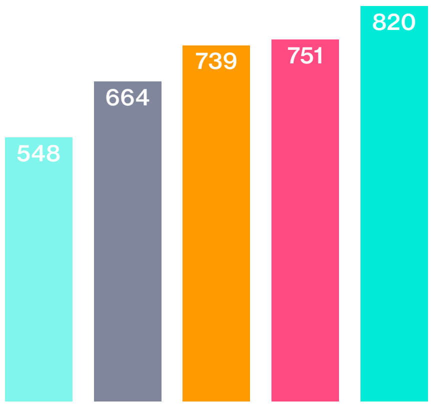
Millions

Net Profit After Tax



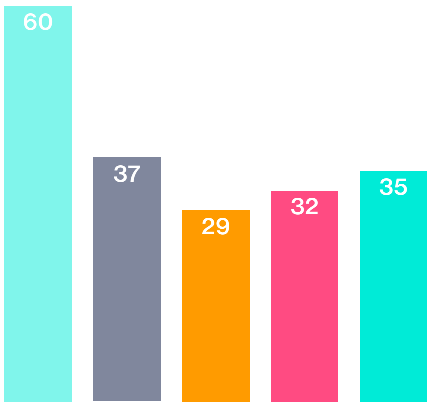
Millions

Total Assets



Millions

Capital Expenditure on UFB Network



Recognition for our people

At Enable, our purpose is to connect our community with unlimited opportunity and every day there are Enable people working throughout the business to make this happen.

Our Legends of Enable awards are a celebration of members of the Enable team who are acknowledged by colleagues as going above and beyond throughout the year.

In the last year we also had three of our team nominated in the 2023 Women in ICT Awards which honour female excellence within the technology sector. Dolina Hamilton, Marika Naylor and Aleisha Ryan were worthy nominees and to be acknowledged for the awards amongst industry peers is a testament to the quality of the people Enable has on our team.

Dolina Hamilton

Shining Star category

Recognising a candidate with a strong record of achievement, acknowledging excellence in spearheading company initiatives and driving strategic change.

Marika Naylor

Technical category

Recognising excellence in the form of technical and engineering expertise, honouring deep domain knowledge in relation to technology products, solutions and services.

Aleisha Ryan

Graduate category

Recognising a standout graduate candidate who has leveraged apprenticeship programs to start a career within the ICT industry.

Our ways of working

This past year we have focused on identifying and implementing initiatives that offer value or efficiency opportunities in the near, mid, and long term.

Through our ways of working, we have established strong cross functional teams who collaborate on agreed quarterly outcomes that align with the five pillars of our strategy*. The priorities have included implementing a new customer retention programme to increase net connections; driving efficiencies with our key field services contractor, Civtec; leveraging what we do well; and investing in the future through our technology replacement programme.

As customer churn has become a greater area of interest due to the competitive market we operate in, through our customer research programme we are able to better understand customers' barriers to connection and reasons for no longer using fibre. In turn we work with our customer teams and retail service providers to address those aspects.

We are also focused on strategic network growth, proactively installing our network into new builds, as well as identifying areas of revenue leakage, and seeking to ensure our prices are in line with current market conditions.

*Leverage our existing strengths, Expand our horizons, Honour our community and planet, Future proof our systems and network, and Drive efficiency

Joining the B Corp™ movement

Certified B Corporation

Enable embarked on our B Corp™ journey in 2021 as a promise to our community that social and environmental performance will remain a priority and keep us honest and accountable for our actions.

We are pleased that the rigorous journey has resulted in Enable becoming a Certified B Corporation™, joining thousands of businesses leading a global movement for an inclusive, equitable and regenerative economy.

Measuring a company's entire social and environmental impact, becoming a Certified B Corporation is validation of the great work Enable does. It is recognition of the continued commitment we have to high standards and practices that support social and environmental performance, ensuring a strong corporate governance structure that is accountable to all stakeholders, and that we always strive to do better.

Connecting Sail GP to the world

Enable teamed up with the ITM New Zealand Sail GP team to provide our world-class fibre broadband to the Sail Grand Prix event village at Naval Point, Lyttelton.

The high-tech base was home to the nine international teams and their hydrofoiling F50 catamarans, plus hundreds of staff and suppliers working to bring the event to life.

Enable's ultra-fast, super reliable network was vital to daily operations and provided the critical infrastructure needed to transmit racing data from the catamarans to athletes and coaching staff, while also connecting teams working across the on-land and on-water operations centres.

The fibre connection was vital to the operations of such a technology-forward sporting event that boasts a worldwide audience of over 1.8 billion viewers.

In addition to the racing data for the teams, there are significant requirements for the remote judging and the detailed on-screen graphics broadcast to world-wide streaming users, reliant on a high-speed fibre connection, and tv audiences.

Outside of the event village, Enable helped to bring the city to life with activations and entertainment at the New Zealand Sail Grand Prix live site – a free fan zone located next to the Te Pae Convention Centre, in central Christchurch. Presented by Enable, the area extended the vibrant, race village atmosphere of Sail GP into the city centre, offering big screen viewing of live race coverage on both Saturday and Sunday. Enable also offered an interactive racing game that engaged with the thousands of visitors to the site.

Continued network growth

Throughout the year we have continued to extend our network to serve existing brownfield and new greenfield developments across the region. Examples include Huntsbury and Worsleys Roads, as well as areas such as North Rangiora, Prebbleton and Halswell.

We continue to look at and evaluate further network extensions as there are many of our community who are not in our coverage area but would really like to get connected.

We also continue to engage with relevant government departments and agencies to investigate funding opportunities that exist to support growth, such as the Rural Capacity Upgrade programme.

Through the strength of relationships with property developers we continue to support their development initiatives to deploy fibre, whether that be for in-fill developments or subdivisions within our existing network or urban fringe developments. We have also continued our Multi-Dwelling Unit (MDU) developer offer to support proactive connections to new MDU developments to increase the uptake of fibre to those properties once they are completed.

Network resilience

The challenges that Cyclone Gabrielle brought to the North Island highlighted the need for resilience of New Zealand's essential service infrastructure of which telecommunications is a part.

Enable's fibre network is inherently resilient and our footprint at the time of the Canterbury earthquakes remained intact. However, since Gabrielle we have been even more focused on our network resilience and business continuity plans, should a similar event happen in our region.

We have invested in additional training for our people, including many now having attended Coordinated Incident Management (CIM) training. We have established a new Emergency Event Response Team and have also undertaken mock scenarios to test how they would work.

We are also engaging with our industry counterparts, the Telecommunications Forum (TCF) and government to support the review of New Zealand's infrastructure resilience and future plans.

Keeping switched on

Building on the Collaborative Services Agreement between Enable and our field service provider, Civtec, the combined team have created the 'Switch' name to represent the joint delivery team responsible for providing our field services.

Working as one, the team has an on-going focus on delivering to our needs and looking for efficiency gains to enhance field service work and to ensure our end-user customers are connected as expected.

Supporting our community with copper withdrawal

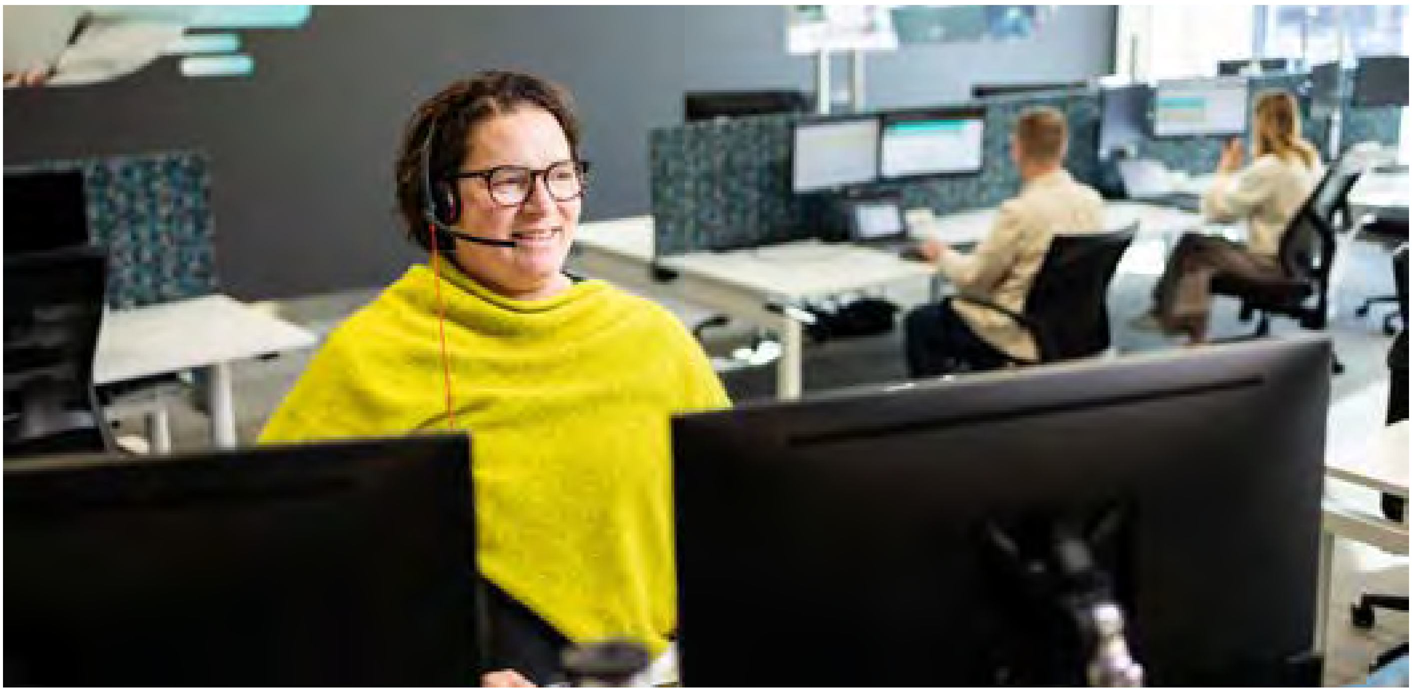
With our fibre broadband network available, Ōtautahi is now less dependent on copper for its communication needs.

For more than a century the copper network has played an important role but with newer options like fibre, the copper network is beginning to be shut-down.

Enable has been working with the copper network operator, Chorus, to undertake a copper withdrawal trial.

The Commerce Commission's Copper Withdrawal Code (the Code) governs the process that needs to be followed and, importantly, copper can only be withdrawn where fibre is available. As Enable owns the UFB fibre network in our region we need to work with Chorus to support its copper withdrawal programme in our network region.

Under the Code Chorus is required to give consumers at least six months' notice of any change, as well as information consumers need to understand the transition. We are supporting that activity with information about Enable's fibre network which is being sent to affected copper customers with the Chorus letters.



Customer testimonials

"The process was very easy and super understandable. Clear directions made the moving process so easy!"

– Devoli customer

"You did what you said you would do, at the time you said you would do it. Thanks."

– Spark customer

"The representative was able to activate my service quickly and efficiently when I called through."

– Vodafone customer

"Service was fantastic and exceeded expectations thanks to Civtec ... Flawlessly executed job."

– Vodafone business customer

"The Enable installer was great. He was informative, friendly, professional, and helpful. The people who phoned were polite and helpful."

– 2degrees customer

"The two guys were friendly, great communicators and even though a problem arose they stuck around for hours fixing it. Answered my questions I had with great detail."

– Devoli customer

"From contact centre to the two men who came out to reconnect our fibre lines, smooth sailing and very lovely to deal with."

– Trustpower customer

"The staff had amazing communication and kept me fully informed about everything they needed to do."

– 2degrees customer

"Communication was great. The people arrived on time to the property to connect the fibre, they were nice people, and they were really efficient at their job. Before they left the property, they made sure that the connection was live and working."

– CallPlus customer

"The friendly chap who did the install! Plus he also took the smart initiative to run the cable outside of the showhome for the next guy from Enable which saved me an extra trip time and petrol to be there on site for them to work their magic!"

– Spark customer


enable

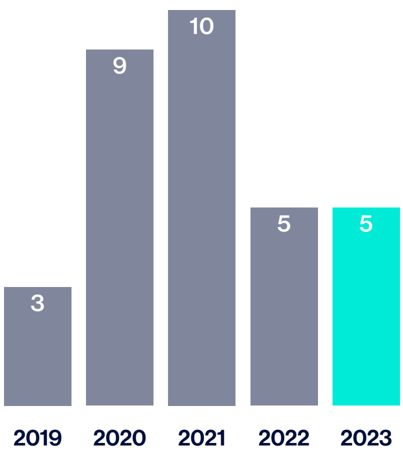
Our Health and Safety focus

We have maintained our focus on Health and Safety practices in all we do, and continue to work with our third-party suppliers and partners to ensure they do the same.

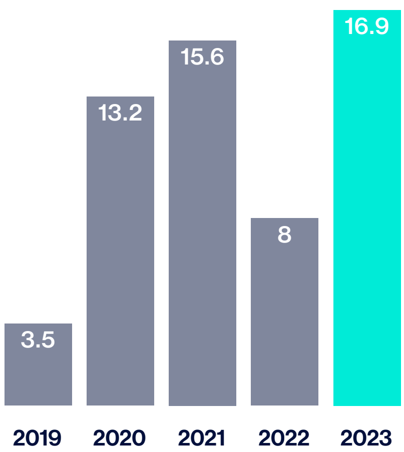
In the last year we had five Total Recordable Injuries (TRIs), consistent with FY22, but above our target of no more than three with the number of hours worked consistent with the prior year. The recordable injuries were categorised as Minor to Moderate, predominantly sprains/strains and lacerations. None were of a nature that required notification to WorkSafe.

We have maintained a focus on field site inspections to ensure Health and Safety practices are being adhered to and ensure site briefings are held for all those that may be on a work site.

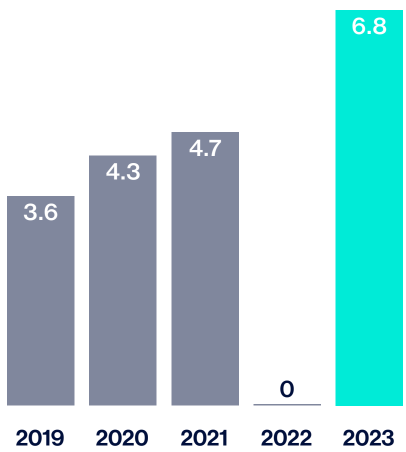
Total recordable injuries



Total recordable injury frequency rate*



Lost time injury frequency rate*



*Per million hours worked

Christchurch free Wi-Fi

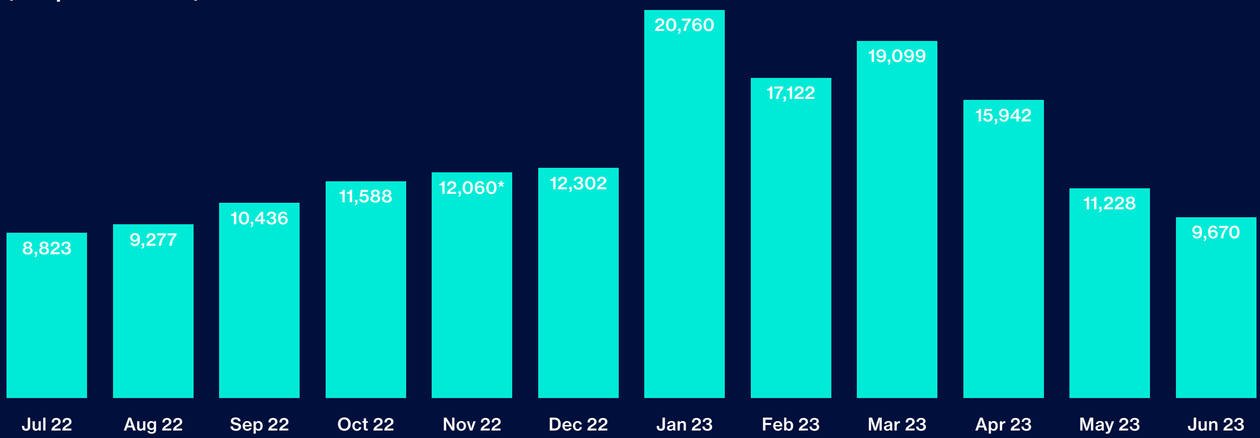
Our fibre-based free Wi-Fi service, launched in mid-2022 in conjunction with the Christchurch City Council, has gone from strength to strength.

We are proud to do our part to support Christchurch to be a smart 21st century city and contribute to the city's economic development and tourism strategies.

With tourism numbers steadily rising and cruise ships back at Lyttelton, along with awareness amongst local residents, there has been a huge increase in uptake especially over the summer months. Total users in the year were over 150,000.

Powered by Enable's gigabit fibre broadband network, the Christchurch Free Wi-Fi service extends from the Bridge of Remembrance and along Oxford Terrace to Victoria Square, across to Colombo Street and back down to the Lichfield Street corner. The Wi-Fi coverage includes key pedestrian areas along Oxford Terrace from Riverside Market through to Te Pae, Cathedral Square and down to the Bus Interchange.

Usage (unique sessions)



*Normalised due to reporting error in November 2022.

Community support

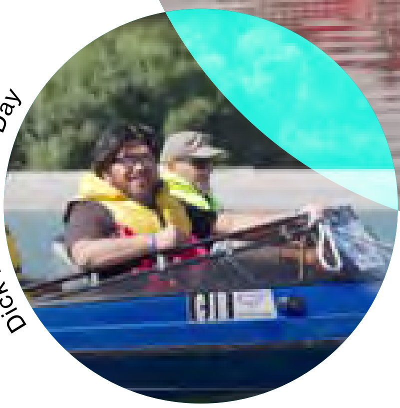
Alongside the work we are doing to help everyone in our community have access to the digital world, we continue to support Greater Christchurch through our Enable People sponsorship programme. This sees Enable sponsor a range of events and activities that our people participate or volunteer in, and over the past twelve months that included the annual Canta Lankan Association's Talent Show, Waimairi School Fair, Papanui Community Toy Library, Diamond Harbour Kidsfirst Kindy, and the Māori rugby league under 14s team to name a few.

We have also donated Personal Protection Equipment, that we no longer needed, to a local daycare centre alongside some new high-vis vests, which the children loved.

Through initiatives organised by our Wellbeing Ambassadors, our people also reached into their own pockets to donate over $4,000 to a variety of causes including the Breast Cancer Foundation, Movember and Christmas gifts for Big Brothers Big Sisters. By donating their time, our people also supported the mahi of Sustainable Coastlines to enhance the mauri of Waimakariri te awa by helping to plant 824 native trees.


Southern Dragons


Miscarriage Matters


Dick Farrant Fun Day


Canta Lankan Association's Talent Show

Esports

Esports is an industry that has seen tremendous growth in recent years and provided us an opportunity to get involved in the world of online gaming – where fibre is the best connectivity option due to low latency or reduced lag.

Esports, short for electronic sports, is a form of competition using video games. Esports often takes the form of organised, multiplayer video game competitions, particularly between professional players, individually or as teams.

In the last year, Enable's first foray into the Esports world was to support a team made up of students from Burnside and Christchurch Boys' High Schools to compete in the League of Legends tournament held in Auckland.

The two teams from Christchurch were the only out-of-region teams competing in the League of Legends, in part thanks to Christchurch City Council, Esports Ōtautahi and Enable.

After playing up to ten matches a day, with each match on average 40 minutes, Burnside impressed everyone by making it to the grand final – traditionally dominated by Auckland high schools.

Although they didn't return home with the national title, they demonstrated that they belong on the national stage and that they will be a force for the years to come in the High School Esports space.

Apart from supporting the teams, we are also working with the likes of the City Council, Esports Ōtautahi and other parties to further support the growing Esports community in Christchurch.

Willowbank

As a business dedicated to the people of Ōtautahi, we are proud to partner with a Canterbury icon like Willowbank. We share in Willowbank's strong focus on environmental sustainability and commend them for the outstanding mahi they have achieved in the conservation space in New Zealand.

Enable and Civtec have partnered to bring fibre to the kiwi hatchery at Christchurch's Willowbank Wildlife Reserve so that behind-the-scenes video streaming can be shared globally. The partnership seeks to promote more public awareness of Operation Nest Egg, the New Zealand-wide conservation programme that cares for kiwi chicks until they are old enough to be released into the wild, and Willowbank's conservation practices around the precious taonga.

The partnership supports the infrastructure that will provide a live stream of the action within the hatchery, kiwi house, and other special videos that our national taonga will feature in.

There was no better partnership for Enable than a pillar of the Ōtautahi community like Willowbank, made even more special by naming the first kiwi of the season.

Our team decided on Taika, meaning tiger in Te Reo Māori. This was chosen because 2022 was the Year of the Tiger, symbolising strength and bravery.

Hills Road Garden

Enable partnered with a local children's gardening group to plant and grow flower gardens on an empty site adjacent to our Central Office (CO) just off Hills Road.

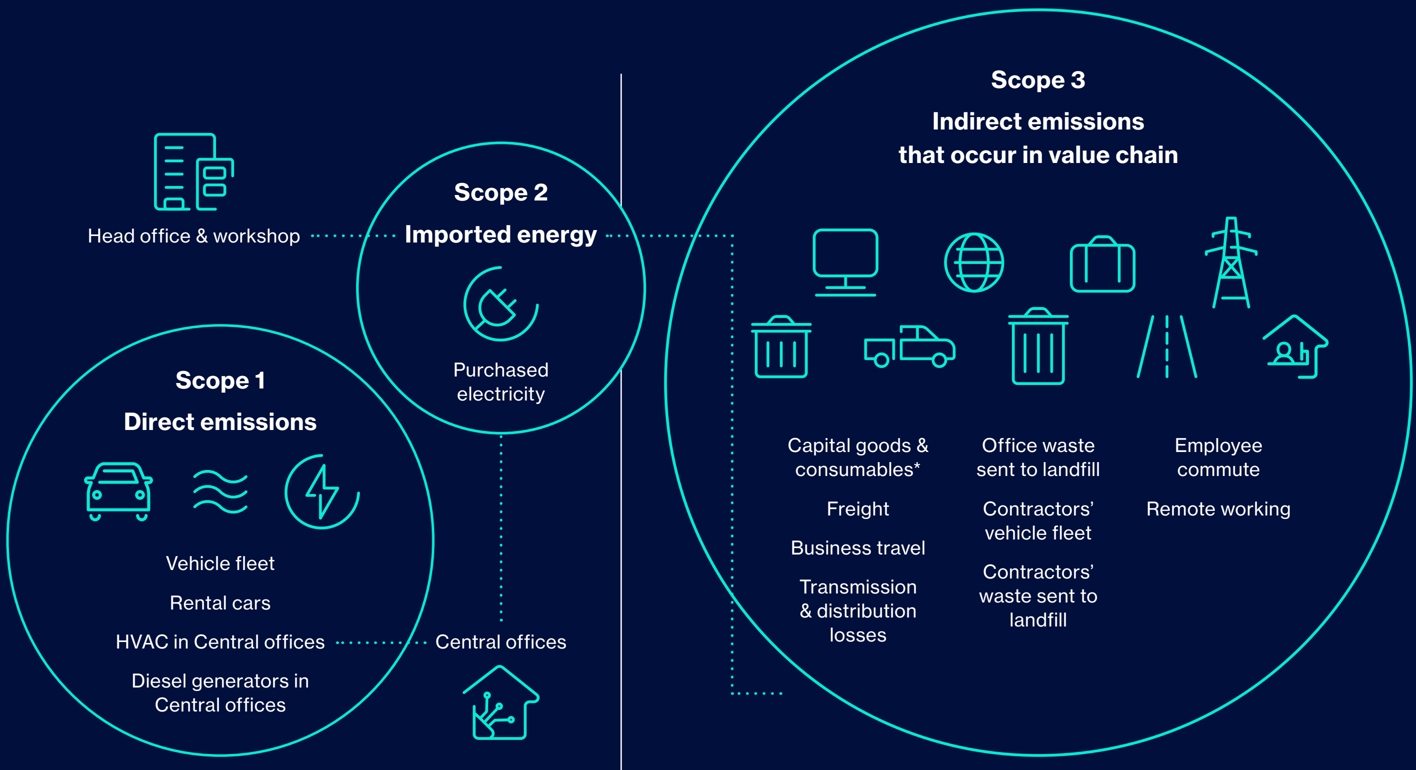
Enable's building on the site occupies only a portion of the site and is located away from the footpaths and public, which left a large area unused. As the CO houses Enable's network equipment and is deemed a commercial site, the possible uses of the remaining land were limited. Enable began work to identify potential uses when the CO was first completed and to find groups in the local community who could benefit from the use of the empty site.

A local children's gardening group who already meet at, and tend to, the local Shirley Community Garden, jumped at the chance to add another garden to their roster and planted plants in the raised garden boxes, all of which were provided by Enable. The children's gardening group maintain the site, along with the other site they look after in the community and have added to the beautification of the site.

"The opportunity to plant and grow the garden from the bare soil, with support from Enable, was exciting for the children. They learn such great skills and feel very proud of the contribution they make to the community."

– Emma O'Connell, parent of local tamariki

Our focus on emissions



Assets owned and/or controlled by Enable

Assets/activities not (directly) controlled by Enable

*e.g. network equipment and assets, stationery

Working with the Christchurch City Holdings Limited (CCHL) group, as we continue towards our 2030 goal of being a net zero emissions business, we have continued to focus on direct Scope 1 and 2 emissions and Scope 3 emissions as well as reduction initiatives to ensure we remain on track to meet our reduction targets. Residual emissions will be managed as part of the CCHL group's offset strategy, which continues to be developed.

In the FY23 year total verified emissions were 967.2 tCO_2e, a 0.9% decrease from FY22, and a 19% decrease from the FY20 restated base year.

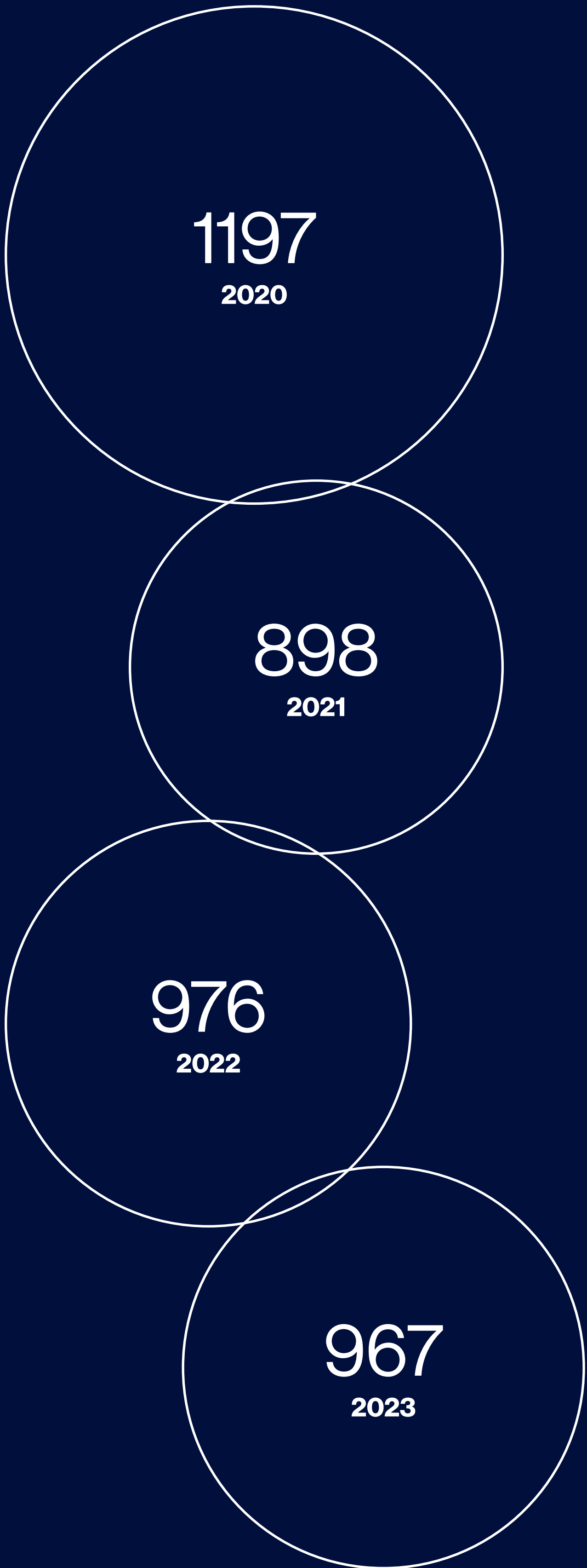
The key areas where decreases have been achieved are in the reduction of contractors fuel (down 8% year on year) and purchased energy (electricity) for the Central Offices (CO's) (down 25%), largely due to revised emission factors for electricity issued by the Ministry for the Environment. Combined they contributed to an 86 tCO_2e reduction from FY22.

We have seen emission increases in Refrigerants, due to some of the cooling systems in our Central Offices needing the refrigerant gases to be replaced, and an increase in Business Travel, which was expected as post-Covid travel resumed.

Emissions source (tCO_2e)	FY20	FY21	FY22	FY23
Diesel generators	1	3	2	3
Refrigerants (HVAC)	13	13	10	48
Fleet	51	43	20	12
Head office (energy)	22	19	16	12
Central offices (energy)	140	146	162	122
Business travel	77	21	26	59
Electricity T&D losses	14	14	16	16
Office waste to landfill	1	1	0.3	0.3
Freight	- **	- **	44	35
Remote working	- **	- **	8	6
Staff commute	- **	- **	60	85
Contractor fuel	867*	629*	601	556
Contractor waste	10	11	10	12

*Recalculated in FY22 ** Not measured

Emissions footprint (tCO_2e)



We have now deployed solar panels on five of our CO's and are reviewing the roll-out plans for the remaining ones. The panels are expected to generate up to 20% of the CO's electricity consumption.

Another key initiative during the year was an e-bike trial for our people to try a pedal-assisted e-bike as part of our commitment to support more sustainable transport options. A number of our team took up the opportunity to try an e-bike, some of whom had never tried one before, over the several weeks that the trial ran.

During the year Enable sponsored a University of Canterbury, 4th year software engineering student undertaking a 'green fibre' research project.

Ronan Avery developed an online calculator to measure and compare the carbon emissions produced by working remotely using different broadband technologies, versus commuting to the office for work.

Enable people participated in the user testing, which helped Ronan to refine his final calculator which was part of his final grade.

Supporting our online presence

During the year we refreshed our online presence with the aim of building a fresh, dynamic public-facing Enable website.

The new website better reflects Enable's customers including builders/developers, end-users wanting to connect, and those already connected who may wish to maximise their connection or find out more about what to do if they're moving home, building, or renovating. Through the refreshed layout and navigation, the new website makes it easier for users to find what they're looking for and supports their needs.

Looking ahead – strategic focus and key initiatives for FY24

We will continue to focus on two strategic themes for the next year: to 'Invest in our future' and 'Be our best self', building on the achievements of the last year and leveraging the efficiency gains and growth opportunities created.

We are targeting to increase total connections to 157,492 in the coming financial year, along with increasing revenue to $114m and profit after tax to $31m. To achieve this on-going growth, we must continue to stay focused on market opportunities and be prepared to act as they arise.

Underlying the strategic themes are five pillars that we remain focused on:

1. **Leveraging our existing strengths**, pursuing growth opportunities that build on our existing network and capabilities.
2. **Expanding our horizons**, to uncover new ideas to complement our existing business operations.
3. **Honouring our community and planet**, to respect our ownership and as kaitiaki of the network, look for ways to support our community and be sustainable in all we do.
4. **Future-proofing our systems and network**, by upgrading our network equipment to ensure our fibre remains the market leading connectivity option.
5. **Driving efficiency**, ensuring we optimise our network build spend and continue to lift productivity in field services.

Looking ahead – strategic focus and key initiatives for FY24

1

Leverage our existing strengths

Over the next 12 months our focus remains on expanding our coverage area through brownfield network extensions and new greenfield developments, as well as proactively installing fibre into properties served by our network. Following the successful launch of our MDU developer offer earlier in the 2023 financial year, we will continue to focus on relationships with property developers to further our growth in this area.

The MDU developer offer supports the on-going growth in MDU builds and encourages both the developers' projects and the resulting owners/occupiers of the properties to choose Enable fibre.

We will also continue to work with the Crown and our community to identify areas for growth to better serve existing or new properties outside our existing coverage area, where there is a commercial opportunity. Those opportunities may serve existing or newly developed areas though we will also look to extend the network to areas that are earmarked for future development, as identified in local councils' long-term plans. The intent is to ensure that fibre is the connection method of choice for those properties.

We are also looking to enhance our tactical campaign activity, reviewing end-to-end sales and marketing processes to ensure we capitalise on the connection potential of those network extensions. This includes proactively installing fibre to properties as a network build is undertaken.

2

Expand our horizons

Maintaining and extending our world-class fibre network remains our focus, though we will continue to identify and assess opportunities that either expand on what we already do or that may sit adjacent to our core business.

They may include more complex revenue opportunities, i.e. those that don't involve our existing fibre to the premises services, and support for other industry participants such as expanding co-location services, providing fibre back-bone connectivity to new mobile tower sites or other facilities requiring connectivity. It could also extend to supporting Internet of Things, Smart City initiatives, or monitoring and control systems and services.

Other opportunities outside our current service provision will also be considered on a case-by-case basis and against the regulatory frameworks in which we operate. This may also include opportunities that exist beyond our current network footprint, but which leverage its core capabilities.

3

Honour our community and planet

Enable remains committed to delivering world-class fibre connectivity to meet the needs of our community. Whether it's empowering businesses, connecting families, or helping transform Christchurch through Smart City initiatives such as Christchurch Free Wi-Fi, we are proud of the community value we are generating.

Our recent B Corp™ certification goes beyond assessing environmental practices and demonstrates our commitment to taking a broad sustainability focus across all we do. We want to continue to foster a comprehensive and purpose-driven approach to sustainability, and our certification provides a tool for continuous improvement.

We have developed and will continue to implement a sustainability strategy that directly contributes to the Council and CCHL's priority of meeting the challenge of climate change. We are continuing towards our 2030 goal of being a net zero emissions business, and our initial focus is on improvements in our direct operations (scope 1) and purchased energy (scope 2) before expanding our sustainability goals to our partners and suppliers (indirect – scope 3).

We will also support CCHL to meet the Group's Climate Risk Disclosure requirements, a regime which has been adopted in New Zealand as best practice for climate-related financial reporting.

We will also continue to support our community as Chorus's copper network withdrawal plans evolve. As fibre needs to be available before copper is withdrawn, we will work with Chorus to support property owners. We want to ensure that affected copper customers, who are within Enable's network area, can easily make the switch to fibre if they choose to.

4

Future-proof our systems and network

We will continue our journey to transform our technology and network to ensure we can provide the products and services that our customers need now and into the future.

Our community is reliant on seamless and high-speed connectivity more than ever before, and we need to remain a key enabler to support driving digital inclusion, economic growth and technological advancement.

In the year ahead we will continue the upgrade of our Layer 2 network - the electronics and optical equipment powering our fibre services. The upgrade will provide improved performance, scalability, and compatibility with emerging technologies, and will ensure our network effortlessly meets the rising demands of our community. This upgrade is critical in strengthening our network strategy and facilitating our path to growth.

As well as the Layer 2 replacement we will also continue to modernise our Operational Support System and associated processes which will realise efficiencies and greater automation.

5

Drive efficiency

In the next year we will continue to leverage our collaborative model with our field service provider, Civtec, to drive efficiencies and embed new initiatives.

Focused on on-going enhancement and continuous improvement, we remain committed to working as one collaborative team, streamlining processes, allocating resources appropriately and improving workforce utilisation. Areas of focus include our network extension and connection processes, including looking at processes that support proactive fibre installs for new properties and those our network will reach in the future.

As well as updating our core network technology and systems, we will also continue the planned enhancement of other support systems that deliver field service workflow management, customer service, sales and marketing management, including website integration, and the Retail Service Provider portal.

With our new sales pipeline tool now embedded there is an opportunity to leverage the platform to support other sales and marketing processes, creating efficiencies and enhancing the way we work to service our retail and end-user customers.

Board of Directors

Justin Murray, Chair

Justin is an experienced Director and investment banker.

He is Executive Chairman of Murray & Co, and has held a range of prior governance roles, including as founding Chair of Christ Church Cathedral Reinstatement and ten years as a Director of Christchurch Airport. Initially a corporate lawyer, his banking career began with Rothschild in London, and he was also a Managing Director with Bear Stearns before returning to New Zealand in 2004 and founding Murray & Co. He holds a Bachelor of Laws from the University of Canterbury and is a certified member of the Institute of Finance Professionals New Zealand.

Justin joined the Enable Board in August 2020 and was appointed Chair of Enable effective from 1 July 2021.

Craig Elliott, Director

Craig has 30 years of experience in Silicon Valley as an international technology executive focusing on networking and communications.

Craig spent ten years at Apple Computers in a variety of executive positions in their networking and communications divisions. He then founded, and was CEO of Packeteer, the company that developed deep packet inspection and application-based networking. He also founded Pertino, which built the first cloud based, global business network. He also served as CEO. Craig is currently an independent consultant working with companies to develop their technical and global expansion strategies.

Craig joined the Enable Board in October 2017.

Geoff Lawrie, Director

Geoff is a professional independent Director, following an executive career in the technology and telecommunications industries in New Zealand and Asia Pacific.

Geoff is a Director of WEL Networks, Plan B, and Auror, and has also held governance roles in the medical, tourism and primary industry sectors. He is a current advisor to a number of innovative, high-growth businesses.

Geoff holds a Bachelor of Commerce degree from Otago University and is a Chartered Member of the Institute of Directors.

Geoff joined the Enable Board in August 2021.

Mark Petrie, Director

Mark has 20 years' experience as a Director specialising in the communications and broader technology sectors.

Mark has led the establishment and growth of numerous start-up businesses and currently holds several board roles – including CommArc, De Novo Partners and DARC Energy.

Mark was the founder and CEO of internet provider Snap and led the integration of its national and international fibre communications business with 2degrees, which laid the foundations for 2degrees' becoming one of the largest full-service communications providers in New Zealand. Mark has extensive experience in all facets of leading a communications business – including financial management; market strategy development and implementation; network design, build and maintenance; technology innovation; and regulatory compliance.

Mark joined the Enable Board in June 2019.

Scott Weenink, Director

Scott has broad governance experience including Executive and Board Director roles with telecommunications and airport companies in New Zealand, Asia and the Middle East.

Scott's current Board Director roles include Chair positions with Generate KiwiSaver, Xceda Finance and the New Zealand Cricket Players Association. He is also a member of the Board of Trustees of The New Zealand Cricketers Trust and St Cuthberts College. Scott, who is admitted to practise Law in New Zealand, Australia and the UK, has a Master in Law from Oxford University.

Scott joined the Enable Board in November 2018.

Keiran Horne, Director

Keiran is a professional Director with experience in both the public and private sectors.

Prior to her governance career, Keiran worked as an Accountant specialising in business rescue and insolvency, strategic planning, change management and commercial transactions. She has significant governance experience in strategic risk management and assurance, having chaired numerous Audit and Risk Committees.

Keiran has held a range of governance roles including TVNZ, Lotto, University of Canterbury and Solid Energy.

Keiran is a Chartered Accountant and Chartered Member of the Institute of Directors.

Keiran joined the Enable Board in January 2023.

Governance

Enable Services Limited (ESL) is a fully owned subsidiary of Christchurch City Holdings Limited (CCHL).

ESL partnered with Crown Infrastructure Partners Limited (CIP), formerly Crown Fibre Holdings Limited, to build and operate the ultra-fast broadband (UFB) network for Christchurch and surrounding centres – which resulted in the establishment of Enable Networks Limited (ENL).

On 29 June 2016, ESL became the sole shareholder in ENL, meaning ENL and its world-class fibre infrastructure became fully owned by Christchurch city. Combined, ESL and ENL make up the Enable Group (Enable).

Governing documents

As required by the Telecommunications Act 2001, Enable operates under a Deed of Open Access Undertakings for Fibre Services in favour of the Crown. The purpose of the Deed is to promote market competition in telecommunications.

Board role and responsibilities

The Board of each company is responsible for the overall direction of that company and the formulation of policies that will support the deployment and uptake of fibre broadband within Enable's coverage area.

Board structure and appointment

The Board of ESL consists of no more than seven Directors appointed by CCHL. The Board of ENL consists of no more than seven Directors appointed by ESL. Currently the same Directors serve on the ESL and ENL Boards.

Board sub-committees

The Audit and Risk Sub-Committee assists the Boards in discharging their responsibilities in financial reporting and external audits, risk management and assurance, and capital structure and treasury. The Sub-Committee is made up of no more than four members.

The Health, Safety and People Sub-Committee assists the Boards to fulfil their corporate governance responsibilities relating to Health, Safety and Wellness policies and practices of the companies and to improve the Health and Safety performance of the companies and our contractors. This Sub-Committee also assists the Boards to establish remuneration, recruitment, retention and termination policies and practices. The Sub-Committee is made up of at least two members.

The Future Technology and Products Sub-Committee assists the Boards to fulfil their corporate governance responsibilities relating to future technology and product investment and performance of the companies. The Sub-Committee is made up of at least two members.

Management services agreement

ESL operates under a thin company structure with strategic and operational services provided to ESL by ENL under contract. A Management Services Agreement (MSA) between ESL and ENL sets out this relationship.

The MSA covers the provision of Chief Executive, Finance, Legal, Administrative, Health and Safety services, and other executive management services required by ESL.

Financial statements

Incorporating 100% owned subsidiary Enable Networks Limited

For the year ended 30 June 2023

Statement of responsibility

The Board is responsible for the preparation of Enable Services Limited's financial statements and for the judgements made in them.

The Board of Enable Services Limited has responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In the Board's opinion, the financial statements fairly reflect the financial position and operations of Enable Services Limited for the year ended 30 June 2023.

Signed on behalf of the Board

Justin Murray
Chair

12 September 2023

Keiran Horne
Chair, Audit and Risk Committee

12 September 2023

Financial statements

Contents

Statement of comprehensive income

For the year ended 30 June 2023

	Note	Group 2023 $'000	Group 2022 $'000
Operating revenue	5(a)	108,222	94,590
Other income	5(b)	6	10
Total revenue and gains		**108,228**	**94,600**
Employee costs	6(b)	(8,924)	(7,647)
Information technology		(2,879)	(2,607)
Network maintenance		(2,855)	(2,447)
Rates		(2,271)	(2,144)
Raw materials and consumables used		(3,817)	(3,344)
Other expenses	6	(6,787)	(6,866)
Total expenses		**(27,533)**	**(25,055)**
Earnings before interest, tax, depreciation and amortisation		**80,695**	**69,545**
Depreciation and amortisation	7	(29,424)	(27,350)
Earnings before interest and tax		**51,271**	**42,195**
Finance income	8	589	210
Finance costs	8	(12,589)	(11,068)
Net finance costs		**(12,000)**	**(10,858)**
Profit before income tax		**39,271**	**31,337**
Income tax expense	9	(10,952)	(8,897)
Profit for the year		**28,319**	**22,440**
Other comprehensive income			
Items that will not be recycled to profit or loss:			
Revaluation of assets	3	59,077	-
Income tax relating to other comprehensive income	9(d)	(16,542)	-
Other comprehensive income for the year, net of tax		**42,535**	**-**
Total comprehensive income for the year, net of tax		**70,854**	**22,440**

The accompanying notes form an integral part of these financial statements and should be read in conjunction with them.

Statement of financial position

As at 30 June 2023

Current assets	Note	Group 2023 $'000	Group 2022 $'000
Cash and cash equivalents	11	6,839	5,741
Trade and other receivables	12	3,947	2,472
Other financial assets	13	-	6,000
Inventories	14	4,383	3,069
Total current assets		**15,169**	**17,282**
Non-current assets			
Property, plant and equipment	3	780,866	721,227
Right of use assets	15	3,881	4,144
Intangible assets		9,957	8,270
Total non-current assets		**804,704**	**733,641**
Total assets		**819,873**	**750,923**
Current liabilities			
Trade and other payables	16	8,580	9,596
Employee entitlements	17	1,638	1,553
Current tax liabilities	9(c)	10,955	8,601
Borrowings	4	963	795
Lease liabilities for right of use assets	18	551	468
Deferred revenue	19	48	62
Total current liabilities		**22,735**	**21,075**
Non-current liabilities			
Borrowings	4	294,574	295,188
Lease liabilities for right of use assets	18	3,946	4,217
Deferred tax liability	9(d)	87,623	70,429
Deferred revenue	19	291	164
Total non-current liabilities		**386,434**	**369,998**
Total liabilities		**409,169**	**391,073**
Net assets		**410,704**	**359,850**
Equity			
Share capital	20	227,293	227,293
Retained earnings		1,332	(6,987)
Revaluation reserve		182,079	139,544
Total equity		**410,704**	**359,850**

The accompanying notes form an integral part of these financial statements and should be read in conjunction with them.

Statement of changes in equity

For the year ended 30 June 2023

	Note	Share capital $'000	Revaluation reserve $'000	Retained earnings $'000	Total $'000
Balance as at 1 July 2021		**227, 293**	**139,544**	**(9,427)**	**357,410**
Profit for the year		-	-	22,440	22,440
Dividends paid		-	-	(20,000)	(20,000)
Balance as at 30 June 2022		**227, 293**	**139,544**	**(6,987)**	**359,850**
Profit for the year		-	-	28,319	28,319
Revaluation of property, plant and equipment	3		42,535	-	42,535
Dividends paid		-	-	(20,000)	(20,000)
Balance as at 30 June 2023		**227, 293**	**182,079**	**1,332**	**410,704**

The accompanying notes form an integral part of these financial statements and should be read in conjunction with them.

Statement of cash flows

For the year ended 30 June 2023

Cash flows from operating activities	Note	Group 2023 $'000	Group 2022 $'000
Receipts from customers and other sources		107,530	94,565
Interest received		592	208
Research and development tax incentive		464	-
Payments to suppliers and employees		(30,499)	(25,359)
Interest and other finance costs paid		(12,747)	(11,061)
Tax subvention (payments)/receipts	21	(8,410)	(2,348)
Net cash provided by operating activities	**22**	**56,930**	**56,005**

Cash flows from investing activities			
Payment for property, plant and equipment		(34,765)	(35,276)
Proceeds from sale of property, plant and equipment		6	10
Payment for intangible assets		(6,144)	(2,737)
Payment for investments into bank deposits	13	-	(24,000)
Proceeds from bank deposits maturing		6,000	24,000
Net cash used in investing activities		**(34,903)**	**(38,003)**

Cash flows from financing activities			
Proceeds from borrowing		532	2,384
Repayment of borrowings		(978)	(801)
Repayment of lease liabilities	18	(483)	(144)
Dividends paid		(20,000)	(20,000)
Net cash provided by financing activities		**(20,929)**	**(18,561)**

Net increase in cash and cash equivalents		1,098	(559)
Cash and cash equivalents at beginning of year		5,741	6,300
Cash and cash equivalents at end of year	**11**	**6,839**	**5,741**

The accompanying notes form an integral part of these financial statements and should be read in conjunction with them.

Notes to the financial statements

For the year ended 30 June 2023

1 Statement of accounting policies

Reporting entity

The financial statements are for the Group, consisting of Enable Services Limited (ESL) and its wholly owned subsidiary Enable Networks Limited (ENL). ESL is a limited liability company incorporated in New Zealand under the Companies Act 1993, and is a profit-oriented entity.

ESL is a wholly-owned subsidiary of Christchurch City Holdings Limited (CCHL), itself a wholly owned subsidiary of Christchurch City Council (CCC).

Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with New Zealand generally accepted accounting practice (NZ GAAP).

The financial statements comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), as appropriate for profit-oriented entities.

These financial statements were approved by the Board of Directors on 12 September 2023.

Basis of preparation

The financial statements have been prepared on the basis of historical cost, except for the UFB network assets, which has been measured at fair value as described in Note 3.

The financial statements have been prepared on a going concern basis which assumes that the future operations will allow for the realisation of assets and discharge of liabilities in the normal course of business.

As at 30 June 2023, the Group's current liabilities exceed its current assets due to the current tax liabilities of $11m, which does not fall due to March 2024, at which time management forecasts sufficient cashflows from operating activities to settle this liability. The Directors have adopted the going concern assumption.

Consolidation

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of the subsidiaries are changed where necessary to ensure consistency with the policies adopted by the Group.

Functional and presentation currency

The financial statements are presented in New Zealand dollars, and all values are rounded to the nearest one thousand dollars ($'000). The functional currency of the Group is New Zealand dollars.

Accounting policies

Accounting policies are included in the individual notes to the financial statements, as follows:

	Note		Note
Property, plant and equipment	3	Borrowings	4
Operating revenue and other income	5	Finance income and costs	8
Income taxes	9	Cash and cash equivalents	11
Trade and other receivables	12	Inventories	14
Intangible assets	15	Trade and other payables	16
Leases	18	Deferred revenue	19
Share capital	20		

Changes in accounting policies and disclosures

There have been no changes in accounting policies and all policies have been applied on bases consistent with the prior year.

2 Critical judgements, estimates and assumptions

In preparing these financial statements the Group has made estimates and assumptions concerning the future. These estimates and assumptions may differ from subsequent actual results.

Estimates and assumptions are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

Areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed within the specific accounting note as shown below.

Area of estimate or judgement	Note	
Valuation of UFB network assets	Note 3	Property, plant and equipment

KEY ASSETS AND LIABILITIES

3 Property, plant and equipment

Gross carrying amount	UFB network layer 1 $'000	UFB network layer 2 $'000	Central offices $'000	UFB network Total $'000	Other plant and equipment $'000	Work in progress $'000	Total $'000
Cost/valuation at 1 July 2021	**652,080**	**32,706**	**15,214**	**700,000**	**4,345**	**-**	**704,345**
Additions	-	-	-	-	840	40,442	41,282
Disposals	-	-	-	-	(63)	-	(63)
Transfers from work in progress	29,017	2,226	604	31,847	-	(31,847)	-
Cost/valuation at 30 June 2022	**681,097**	**34,932**	**15,818**	**731,847**	**5,122**	**8,595**	**745,564**
Additions	-	-	-	-	866	34,105	34,971
Disposals	-	-	-	-	(74)	-	(74)
Revaluation adjustment	24,695	(9,953)	101	14,843	-	-	14,843
Transfers from work in progress	29,315	4,888	1,003	35,206	-	(35,206)	-
Cost/valuation at 30 June 2023	**735,107**	**29,867**	**16,922**	**781,896**	**5,914**	**7,493**	**795,305**
Accumulated depreciation and impairment							
Accumulated balance at 1 July 2021	**-**	**-**	**-**	**-**	**(1,459)**	**-**	**(1,459)**
Depreciation expense	(15,152)	(6,715)	(527)	(22,394)	(541)	-	(22,935)
Disposals	-	-	-	-	57	-	57
Written back on revaluation adjustment	(15,152)	(6,715)	(527)	(22,394)	(1,943)	-	(24,337)
Accumulated balance at 30 June 2022	**(15,757)**	**(7,328)**	**(651)**	**(23,736)**	**(673)**	**-**	**(24,409)**
Depreciation expense	-	-	-	-	74	-	74
Disposals	30,909	12,147	1,178	44,234	-	-	44,234
Accumulated balance at 30 June 2023	**-**	**(1,896)**	**-**	**(1,896)**	**(2,542)**	**-**	**(4,438)**
Carrying amount at 30 June 2022	**665,945**	**28,217**	**15,291**	**709,453**	**3,179**	**8,595**	**721,227**
Carrying amount at 30 June 2023	**735,107**	**27,971**	**16,922**	**780,000**	**3,374**	**7,493**	**790,867**

Property, plant and equipment includes the original fibre optic network owned by the Group and the subsequent capital cost of deploying the UFB network covering all of Christchurch; Rolleston and Lincoln; and parts of Rangiora, Kaiapoi and Woodend. The UFB network assets are long term infrastructure assets with long term investment horizons.

UFB network Layer 1 assets comprise the physical fibre network assets which are essentially the unlit pipeline or pathway that the light pulses use to transmit data, otherwise known as dark fibre. These assets include ducting and optical fibre.

UFB network Layer 2 assets comprise the electronics necessary to light the optical fibre or the means by which communication occurs down the Layer 1 pathway. These assets are located in Central Offices and in the premises of end users.

Central Offices include both building costs and setup costs – fire protection, security and backup generator assets.

Other plant and equipment includes leasehold improvements, information technology hardware, furniture and fittings.

Work in progress is not depreciated. Work in progress is reviewed on a regular basis to ensure that costs represent future value.

Recognised fair value measurements

The UFB network Layer 1 and 2 assets, together with the Central Offices (collectively described as UFB network assets) were revalued to fair value as at 30 June 2023 based on a range provided by independent valuers Deloitte. Deloitte are considered to have the appropriate qualifications and experience in the fair value measurement of such assets.

Deloitte and management considered that the discounted cash flow (DCF) methodology was the most appropriate method of valuation, given that:

- long term cash flow forecasts were available.
- there is a reasonable degree of predictability around the cash flows.
- a potential buyer of these assets would primarily be interested in the future economic benefits they could generate.

The DCF methodology involved assessing:

- the future free cash flows of the business (excluding future expansionary capital expenditure and related revenue).
- a 10 year cash flow forecast with a terminal value determined by using either a Gordon Growth Model formula based on the FY33 projected free cash flows or a terminal Regulated Asset Base (RAB) multiple notionally assuming the assets are sold at the end of the 10 year period.
- discounting the cash flows using a discount rate based on weighted average cost of capital (WACC).
- whether there were any surplus assets.

The Telecommunications Act 2001 has been amended to introduce regulation of fibre to the premises communication networks. From 1 January 2022 Price and Quality Regulation is imposed on Chorus, but Information Disclosure only Regulation applies to the other local fibre companies, including Enable. The fibre to the premises regulation applies for a first period of three years and is then assumed to be followed by a second period of five years. For the valuation we assume Enable remains subject to information disclosure regulation only. There remains significant uncertainty regarding the impact of fibre regulation on the market and on Enable's future revenue. The valuation below has taken this revenue uncertainty into consideration.

The estimated value of the UFB network is **$780m**. The main level 3 inputs used by the group for valuing the UFB network are derived and evaluated as follows; WACC, Connections growth, and average revenue per user are estimated by Deloitte or management based on comparable transactions and industry data.

The sensitivity of the 2023 valuation of $780m to relevant factors is summarised as follows:

Movement in Unobservable Inputs	Input	Range	Lower Value	Mid-Point	Upper Value	Relationship of Unobservable Inputs to Fair Value
Connections	70.6 - 74.2%	+ or – 1.0%	$766m	$780m	$794m	The higher the connections rate, the higher the fair value
Average revenue per user	3% - 7%	+ or – 1.0%	$766m	$780m	$794m	The higher the average revenue per user, the higher the fair value
WACC	7.57%	+ or – 0.5%	$721m	$785m	$848m	The higher the WACC, the lower the fair value

All property, plant and equipment is classified as Level 3 within the fair value hierarchy under NZ IFRS 13 – Fair Value Measurement. Assets are classified as Level 3 where one or more significant inputs into the determination of fair value is not based on observable market data. The company had no other Level 1, Level 2 or Level 3 non-financial assets measured at fair value during the year.

If UFB network assets were stated at historical cost, the carrying value would be as follows:

UFB network assets	Group 2023 $'000	Group 2022 $'000
Cost	663,960	628,754
Accumulated depreciation	(129,928)	(108,803)
Net book value	**534,032**	**519,951**

Useful lives and residual values of UFB network assets

At balance date, the Group reviews the useful life and residual value of its UFB network assets. Assessing the appropriateness of useful life and residual value estimates of UFB network assets requires the Group to consider a number of factors, such as the physical condition of the assets, expected period of use of the assets by the Group, and expected disposal proceeds from the future sale of the assets.

A change in estimate of the useful life or residual value will impact on the depreciation expense recognised in the profit or loss, and the carrying amount of the asset in the statement of financial position. The Group minimises the risk of this estimation uncertainty by:

- investing in high quality, class-leading assets and infrastructure
- physical inspections of assets; and
- asset replacement programmes in line with useful life expectations.

Change in estimate

No changes in useful life estimates were made during the 2023 financial year.

ACCOUNTING POLICY

Property, plant and equipment

UFB network assets, and Central Offices are recognised at fair value based on valuations by external independent valuers, less subsequent depreciation.

Valuations are performed with sufficient regularity to ensure that the fair value of the assets does not vary materially from their carrying value. Any revaluation increase arising on the revaluation of these assets is credited to the asset revaluation reserve included in other comprehensive income, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense through profit and loss, in which case the increase is credited to profit and loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of these assets is charged as an expense through profit and loss to the extent that it exceeds the balance, if any, held in the asset revaluation reserve relating to a previous revaluation of that asset.

Any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

All other property, plant and equipment are recognised at historical cost less depreciation.

Additions

Additions are recorded at historical cost less depreciation until the next revaluation. The cost of an item is recognised as an asset only when it is probable that the future economic benefits or service potential associated with the item will flow to the Group and the cost of the item can be measured reliably.

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount, these are recognised through profit or loss. When revalued assets are sold, any revaluation reserve relating to the particular asset is transferred to retained earnings.

Subsequent costs

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that the future economic benefits or service potential associated with the item will flow to the Group and the cost of the item can be measured reliably.

The costs of day-to-day servicing of UFB network assets are recognised in the profit or loss as they are incurred.

Depreciation

Depreciation is provided on a straight-line basis at rates that will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows.

Layer 1 (Provision of unlit optical fibre)	20 – 50 years
Layer 2 (Network communication equipment)	5 – 12 years
Central offices	5 – 50 years
Property, plant and equipment	1 – 25 years
Right of use assets	1 – 10 years

Land is not depreciated

The residual value and useful life of an asset is reviewed, and adjusted, if applicable, annually.

Impairment of non-financial assets

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts might not be recoverable. An impairment loss is recognised if the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

If an asset's carrying amount exceeds its recoverable amount, the asset is impaired and the carrying amount is written down to the recoverable amount.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods. A reversal of an impairment loss is recognised immediately in profit or loss.

3A Right of use assets

Gross carrying amount	Buildings $'000	Plant & equipment $'000	Total $'000
Cost/valuation at 30 June 2021	4,247	128	4,375
Additions	294	172	466
Disposals	-	(37)	(37)
Cost/valuation at 30 June 2022	**4,541**	**263**	**4,804**
Additions	163	132	295
Disposals	-	(22)	(22)
Cost/valuation at 30 June 2023	4,704	373	5,077
Accumulated depreciation and impairment			
Accumulated balance at 1 July 2021	(106)	(10)	(116)
Depreciation on right of use asset	(461)	(115)	(576)
Disposals	-	32	32
Accumulated balance at 30 June 2022	**(567)**	**(93)**	**(660)**
Depreciation on right of use asset	(458)	(100)	(558)
Disposals	-	22	22
Accumulated balance at 30 June 2022	**(1,025)**	**(171)**	**(1,196)**
Carrying amount at 30 June 2022	**3,974**	**170**	**4,144**
Carrying amount at 30 June 2023	**3,679**	**202**	**3,881**

4 Borrowings

	Note	Group 2023 $'000	Group 2022 $'000
Loans from external parties		1,137	1,583
Loan from CCHL	**21**	294,400	294,400
		295,537	**295,983**
Current portion		963	795
Non-current portion		294,574	295,188
		295,537	**295,983**

In May 2022 the Group entered into a secured loan with Cisco Systems Capital to finance UFB network equipment, which expires in May 2025 with a weighted average interest rate as at 30 June 2023 of 1.37% (2022: 0.86%).

The Group has a loan agreement with CCHL. The loan is unsecured and the interest rate is a base rate reflecting CCHL's cost of borrowing plus a 0.2% margin. At 30 June 2023 the weighted average interest rate was 4.31% (2022: 3.75%). The line of credit under the loan agreement is available to the Group until May 2031 and totals $310m (2022: $310m).

ACCOUNTING POLICY

Borrowings

Debt is initially measured at fair value net of transaction costs and subsequently at amortised cost using the effective interest method, with interest expense recognised on an effective interest basis.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

PROFIT AND LOSS INFORMATION

5 Operating revenue and other income

(a) Operating revenue

	Note	Group 2023 $'000	Group 2022 $'000
Gross telecommunications revenue	(i)	100,820	88,478
Sale of inventory		3,283	3,195
Other		4,119	2,917
		108,222	**94,590**

The timing of revenue recognition from contracts with customers is as follows:

Revenue transferred at a point in time:	Group 2023 $'000	Group 2022 $'000
Sale of inventory	3,283	3,195
Other	4,119	2,917
	7,402	**6,112**
Revenue transferred at a point in time:		
Gross telecommunications revenue	100,820	88,478
	108,222	**94,590**

(i) Gross telecommunications revenue is required to be disclosed in accordance with the information disclosure requirements under section 83 of the Telecommunications Act 2001. There were no allowable deductions.

(b) Other income

	Group 2023 $'000	Group 2022 $'000
Gains on disposal of property, plant and equipment	6	10
	6	**10**

ACCOUNTING POLICY

Revenue

The Group invoices its customers (predominantly retail internet service providers (RSPs)) monthly for access to the fibre network across a range of product variants and contract periods. Prices are charged in accordance with the Wholesale Services Agreement, specifically the General Terms and Price List. The Group is required to provide a single performance obligation of continuous service to which the customer benefits incrementally and consecutively over time, as the service is delivered. The Group makes use of a practical expedient to record revenue monthly, being a distinct period that captures network access availability and product type usage information for invoicing. Unbilled revenue from the date of initial connection until the billing cycle, is recognised in the month of service. Revenue is deferred for fixed monthly access charges that are billed in advance.

In addition to network services, the Group recognises other revenue for faults, maintenance, premise networking and ancillary services (such as a plan change fee), on a point in time basis as they occur. Fees for connecting customers are determined to be separate performance obligations and are recognised when the connection completes. These services are also charged in accordance with the Wholesale Services Agreement.

Generally, control for inventory is transferred and revenue recognised at the point in time it is delivered to the contractor.

Customers include contractors of the Group who purchase inventory as an input to the construction of UFB network assets. The Group has concluded that these transactions constitute revenue as there is no restriction on the use of the inventory acquired by the contractors, the contractor takes physical possession and also bears the risks and rewards of ownership of the inventory acquired. There is no direct relationship between these sales and the purchase of completed UFB network assets.

6 Operating expenses

	Note	Group 2023 $'000	Group 2022 $'000
Advertising		1,309	1,368
Audit fees	6(a)	318	178
Directors' fees		345	376
Net foreign exchange losses		13	18
Regulatory levies		585	386
Other		4,217	4,540
		6,787	**6,866**

(a) Remuneration of auditors

Audit New Zealand	Note	Group 2023 $'000	Group 2022 $'000
Audit of the financial statements – prior year		13	147
Regulatory audit work – prior year		-	22
Total		**13**	**169**
PwC			
Audit of the financial statements – current year		174	-
OAG audit standards and quality support charge		14	-
Regulatory audit work – current year		81	-
Total		**269**	**-**
Other auditor - KPMG			
Internal audit activities		36	9
		36	9
Total auditor remuneration	6	**318**	**178**

(b) Employee costs

	Note	Group 2023 $'000	Group 2022 $'000
Salaries and wages		16,036	14,475
Less capitalised salaries and wages		(7,639)	(7,163)
Net salaries and wages		**8,397**	**7,312**
Defined contribution plan employer contributions		442	400
Increase/(decrease) in employee entitlements/liabilities		85	(65)
Total employee costs	6	**8,924**	**7,647**

7 Depreciation, amortisation and impairment

	Note	Group 2023 $'000	Group 2022 $'000
Depreciation of property, plant and equipment	3	24,409	22,935
Amortisation of intangible assets	15	4,457	3,839
Depreciation of right of use assets	3(a)	558	576
		29,424	**27,350**

8 Finance income and costs

Finance income	Note	Group 2023 $'000	Group 2022 $'000
Interest - bank		589	210
		589	**210**
Finance costs			
Interest paid/payable to CCHL	21	12,346	11,040
Interest on external parties loans		30	1
Interest on lease liabilities	18	213	27
		12,589	**11,068**

Finance income and costs

Finance income

Interest income is recognised using the effective interest method.

Financing costs

Financing costs primarily comprise interest on the Group's borrowings, and are expensed in the period in which they are incurred and reported in finance costs.

9 Income taxes

(a) Components of tax expense

	Group 2023 $'000	Group 2022 $'000
Current income tax charge	10,955	8,601
Adjustments to current tax of prior years	(655)	(45)
Deferred tax expense	652	341
Total income tax expense	**10,952**	**8,897**

(b) Reconciliation of prima facie income tax:

	Group 2023 $'000	Group 2022 $'000
Profit before tax	39,271	31,337
Tax at statutory rate of 28%	10,996	8,774
Under provision of income tax in previous year	(44)	123
Income tax expense	**10,952**	**8,897**

(c) Current tax liabilities

	Group 2023 $'000	Group 2022 $'000
Opening balance	8,601	2,393
Tax liability for the year	10,300	8,556
Research and development tax incentive	464	-
Tax subvention payment	(8,410)	(2,348)
Closing balance	**10,955**	**8,601**

(d) Deferred taxation

	30 June 2022			30 June 2023		
Deferred tax liabilities:	Opening balance $'000	Profit/loss $'000	Closing balance $'000	Profit/loss $'000	Other comprehensive income $'000	Closing balance $'000
Property, plant and equipment	71,510	482	71,992	616	16,542	89,150
	71,510	**482**	**71,992**	**616**	**16,542**	**89,150**
Deferred tax assets:						
Provisions/employee entitlements	183	42	225	(54)	-	171
Doubtful debts and impairment losses	16	10	26	18	-	44
Tax losses	-	-	-	-	-	-
Other	1,223	89	1,312	-	-	1,312
	1,422	**141**	**1,563**	**(36)**	**-**	**1,527**
Net deferred tax liability	**70,088**	**341**	**70,429**	**652**	**16,542**	**87,623**

The Group is a member of the CCC tax group, which comprises CCC, CCHL and a number of other group entities. The Group pays subvention payments to other members of the CCC tax group. The amount recognised as a payable for the 2023 tax year is $11.0m (2022: $8.6m), in relation to the tax effect of tax losses received. The Group paid a subvention payment to other members of the CCC tax group of $8.4m (2022: $2.3m). These payments are treated as if they were payments of income tax and they are reflected as part of the taxation payable amount.

(e) Imputation credits

The amount of imputation credits available for use in subsequent reporting periods by the Group is Nil (2022: Nil).

ACCOUNTING POLICY

Income tax

Income tax expense includes current tax and deferred tax.

Current tax is the amount of income tax payable based on the taxable surplus for the current year, plus any adjustments to income tax payable in respect of prior years. Current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted at balance date.

The tax currently payable is based on taxable profit for the reporting period. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items recognised directly in equity, in which case the tax is also recognised directly in equity.

FINANCIAL RISK MANAGEMENT

10 Financial risk management

The Group's activities expose it to a variety of financial instrument risks, including liquidity risk, interest rate risk and credit risk. The Group has a series of policies to manage the risks associated with financial instruments and seeks to minimise exposure from financial instruments. These policies do not allow any transactions that are speculative in nature to be entered into.

(a) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty raising liquid funds to meet commitments as they fall due. The Group's primary mechanism for managing liquidity risk is through issuing shares and debt to CCHL.

As described in Note 4, the Group has committed debt funding from CCHL of up to $310m until May 2031.

In meeting its liquidity requirements, the Group maintains a target level of cash which is available within specified timeframes.

Contractual maturity analysis of financial assets and financial liabilities

The following table analyses the Group's financial assets and liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows. The contractual undiscounted amounts are equal to the carrying amounts.

In May 2021 the CCHL term loan was extended as per Note 4 to May 2031 which has increased the contractual cashflows as at 30 June 2023.

30 June 2023	Balance sheet $'000	Contractual cash flows $'000	Less than 1 year $'000	1-2 years $'000	2-5 years $'000	5 years+ $'000
Cash and cash equivalents	6,839	7,180	7,180	-	-	-
Trade and other receivables	2,752	2,752	2,752	-	-	-
Trade and other payables	(6,835)	(6,835)	(6,835)	-	-	-
Lease liabilities for right of use assets	(4,497)	(5,336)	(744)	(688)	(1,997)	(1,907)
Loans from external parties	(1,137)	(1,956)	(978)	(978)	-	-
Borrowings from CCHL	(294,400)	(421,290)	(12,689)	(12,689)	(38,067)	(357,845)
	(297,278)	**(425,485)**	**(11,314)**	**(14,355)**	**(40,064)**	**(359,752)**

30 June 2022						
Cash and cash equivalents	11,741	11,911	11,911	-	-	-
Trade and other receivables	2,039	2,039	2,039	-	-	-
Trade and other payables	(7,824)	(7,827)	(7,827)	-	-	-
Lease liabilities for right of use assets	(4,685)	(5,686)	(670)	(673)	(1,866)	(2,477)
Borrowings from CCHL	(1,583)	(1,602)	(801)	(801)	-	-
	(294,400)	**(404,800)**	**(11,040)**	**(11,040)**	**(33,120)**	**(349,600)**
	(294,712)	**(405,965)**	**(6,388)**	**(12,514)**	**(34,986)**	**(352,077)**

(b) Interest rate risk

Fair value interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate owing to changes in market interest rates. The Group's exposure to fair value interest rate risk is with its bank current account balances. Borrowings from CCHL are at floating rates of interest. These are not accounted for at fair value and fluctuations in interest rates do not have an impact on the carrying amount of the financial instruments recognised in the statement of financial position.

Cash flow interest rate risk

Cash flow interest rate risk is the risk that the cash flows from a financial instrument will fluctuate because of changes in market interest rates. At call cash deposits and borrowings at variable interest rates expose the Group to cash flow interest rate risk.

To mitigate interest rate risk, the Group has completed agreements with CCHL whereby CCHL has entered into a series of forward start swaps in respect of its own borrowing to on-lend to the Group. The swaps are in CCHL's name and accounted for by CCHL. The effect of the swaps is to fix the rate for a significant portion of the on-lending that CCHL provides to the Group. However, the remainder of the Group's borrowing from CCHL is at floating rate. As CCHL charges the Group a weighted average interest rate based on its total lending to the Group, including hedging, effectively the whole CCHL loan is at floating rate (albeit moderated by the hedging entered into by CCHL).

Sensitivity analysis

In managing interest rate risks, the Group aims to reduce the impact of short term fluctuations on its earnings. Over the longer term however, changes in interest rates will affect reported profits.

The following table summarises the impact of a 1% movement in the interest rates, all other variables being held constant.

	Effect on equity Group 2023 $'000	Effect on equity Group 2022 $'000	Effect on profit Group 2023 $'000	Effect on profit Group 2022 $'000
1% increase in interest rates	(2,904)	(2,869)	(2,904)	(2,869)
1% decrease in interest rates	2,904	2,869	2,904	2,869

(c) Credit risk

Credit risk is the risk that a third party will default on its obligation to the Group, causing the Group to incur a loss. Credit risk arises in the Group from exposure to counterparties from trade and other receivables and cash deposits.

The Group places its cash, short term investments, longer term deposits and derivative financial instruments with registered New Zealand banks. Only independently rated banks with a minimum Standard & Poor's (or equivalent) credit rating of 'A' or better are accepted. The Group limits the credit exposure to any one bank in accordance with its board-approved treasury policy.

The Group's maximum credit exposure for each class of financial instrument is represented by the total carrying amount of cash and cash equivalents Note 11 and trade and other receivables Note 12. There is no collateral held as security against these financial instruments and no instruments are overdue or impaired.

Ageing of receivables

Gross receivables	Note	Group 2023 $'000	Group 2022 $'000
Not past due		2,145	1,775
Past due 0-30 days		471	196
Past due 31-60 days		100	62
Past due more than 60 days		227	96
	12	**2,943**	**2,129**
Impairment			
Not past due		(1)	-
Past due 0-30 days		(45)	-
Past due 31-60 days		(18)	(6)
Past due more than 60 days		(127)	(87)
	12	**(191)**	**(93)**
Gross trade receivables		2,943	2,129
Individual impairment		-	-
Collective impairment		(191)	(93)
Trade receivables (net)		**2,752**	**2,036**

OTHER ASSETS AND LIABILITIES

11 Cash and cash equivalents

	Group 2023 $'000	Group 2022 $'000
Cash balances	6,839	5,741
	6,839	**5,741**

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short term deposits are made for periods of between one day and three months and earn interest at the respective short term deposit rates.

ACCOUNTING POLICY

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

12 Trade and other receivables

Current	Note	Group 2023 $'000	Group 2022 $'000
Trade receivables		2,927	2,125
Related party receivables	21	16	4
	10(c)	**2,943**	**2,129**
Prepayments		1,195	433
Interest receivable		-	3
		4,138	**2,565**
Provision for impairment - trade receivables	10(c)	(191)	(93)
Total trade debtors, other receivables and prepayments		**3,947**	**2,472**

The carrying value of receivables and prepayments approximates their fair value.

ACCOUNTING POLICY

Trade and other receivables

Trade and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

The Group applies the NZ IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on historical experience, external indicators and forward looking information.

Impairment of a receivable is established when there is further objective evidence that the Group will not be able to collect amounts due according to the original terms of the receivable.

13 Other financial assets

Current	Group 2023 $'000	Group 2022 $'000
Bank deposits with maturities of 4 to 12 months	-	6,000
	-	**6,000**

14 Inventories

Current	Group 2023 $'000	Group 2022 $'000
Inventory	4,383	3,069
	4,383	**3,069**

Inventory is generally held short term for resale to contractors building the UFB network and connecting premises to it. Certain inventories are subject to security interests created by retention of title clauses. Inventory written off during the period amounted to $236,000 (2022: Nil).

ACCOUNTING POLICY

Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of inventory is based on average cost and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

15 Intangible assets

Gross carrying amount	Goodwill $'000	Software $'000	Work in progress $'000	Total $'000
Cost at 1 July 2021	**848**	**16,620**	**642**	**18,110**
Additions	-	-	2,737	2,737
Transfers	-	2,145	(2,145)	-
Cost at 30 June 2022	**848**	**18,765**	**1,234**	**20,847**
Additions	-	-	6,144	6,144
Transfers	-	3,756	(3,756)	-
Cost at 30 June 2023	**848**	**22,521**	**3,622**	**26,991**
Accumulated amortisation				
Accumulated balance at 1 July 2021	**-**	**(8,738)**	**-**	**(8,738)**
Amortisation expense	-	(3,839)	-	(3,839)
Accumulated balance at 30 June 2022	**-**	**(12,577)**	**-**	**(12,577)**
Amortisation expense	-	(4,457)	-	(4,457)
Accumulated balance at 30 June 2023	**-**	**(17,034)**	**-**	**(17,034)**
Carrying amount at 30 June 2022	**848**	**6,188**	**1,234**	**8,270**
Carrying amount at 30 June 2023	**848**	**5,487**	**3,622**	**9,957**

Intangible asset costs are predominantly software-related. The intangible asset work in progress relates primarily to the development of operating support systems and business support systems. Management have reviewed intangible assets at balance date and concluded that there were no indicators of impairment (2022: nil).

ACCOUNTING POLICY

Intangible assets

Intangible assets comprise costs incurred in purchasing and installing software systems for use by the business. The software is a non-monetary asset without physical substance. The costs relating to the project can be reliably measured from invoices and allocation of internal costs. They are accounted for using the cost model whereby capitalised costs are amortised on a straight-line basis at a rate of 20-40% over their estimated useful lives, from when the asset is available for use. They are reviewed at each reporting date to determine whether there is any indication of impairment.

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

Software-as-a-Service (SaaS) arrangements

SaaS arrangements are service contracts providing the Group with the right to access the cloud provider's application software over the contract period. Costs incurred to configure or customise, and the ongoing fees to obtain access to the cloud provider's application software, are recognised as operating expenses when the services are received.

Some of these costs incurred are for the development of software code that enhances or modifies, or creates additional capability to, existing on-premise systems and meets the definition of and recognition criteria for an intangible asset. These costs are recognised as intangible software assets and amortised over the useful life of the software on a straight-line basis. The useful lives of these assets are reviewed at least at the end of each financial year, and any change accounted for prospectively as a change in accounting estimate.

16 Trade and other payables

Current	Note	Group 2023 $'000	Group 2022 $'000
Trade payables and accrued expenses		6,460	7,495
GST payable		736	668
Contract liabilities for third party contributions		1,001	1,104
Interest payable to CCHL	21	383	329
		8,580	**9,596**

Trade and other payables are non-interest bearing and are normally settled on 30-day terms, therefore the carrying value of creditors and other payables approximates their fair value.

ACCOUNTING POLICY

Trade and other payables

Trade and other payables

Trade and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

Goods and services tax

All items in the financial statements are presented exclusive of goods and services tax (GST), except for receivables and payables, which are presented on a GST-inclusive basis. Where GST is not recoverable as input tax, it is recognised as part of the related asset or expense.

17 Employee entitlements

Current	Group 2023 $'000	Group 2022 $'000
Accrued pay	304	378
Annual leave	778	729
Employee incentives	556	446
	1,638	**1,553**

ACCOUNTING POLICY

Employee entitlements

Employee entitlements that the Group expects to be settled within 12 months of balance date are measured at undiscounted nominal values based on accrued entitlements at current rates of pay. A liability and an expense are recognised for incentives where there is a contractual obligation.

18 Leases

	Group 2023 $'000	Group 2022 $'000
Opening balance	4,685	4,367
Additions	295	461
Interest expense	213	27
Repayment of lease liabilities	(696)	(170)
Closing balance	**4,497**	**4,685**
Current portion	551	468
Non-current portion	3,946	4,217
	4,497	**4,685**

Lease liabilities

No later than one year	744	670
Later than one year and not later than five years	2,685	2,539
Later than five years	1,907	2,477
Minimum lease payments	5,336	5,686
Less future finance charges	(839)	(1,001)
Closing balance	**4,497**	**4,685**

The weighted average incremental borrowing rate applied to lease liabilities recognised in the statement of financial position at the date of initial application was 4.53% (2022: 4.53%). Lease payments recognised in the statement of cash flows totalled $483,000 for 2023 (2022: $144,000).

ACCOUNTING POLICY

Leases

Leases comprise:

- Buildings with arms length third parties on normal commercial terms.
- Vehicles and equipment with arms length third parties on normal commercial terms.

Property leases are often negotiated with rights of renewal in order that we have flexibility in location and size of premises to cater for future growth; whilst ensuring certainty of future tenure. As we approach rights of extension time frames we review the likelihood of renewing the lease to ascertain should the future renewal be included in the NZ IFRS 16 calculation going forward.

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease, or, if that rate cannot be readily determined, the Group's incremental borrowing rate for an equivalent term, where applicable. Lease payments are comprised of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, and any anticipated termination penalties.

Lease liabilities are measured at amortised cost using the effective interest rate method. The carrying amounts are remeasured if there is a change in any of the following: an index or rate used, residual guarantee, lease term, and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset.

19 Deferred revenue

	Group 2023 $'000	Group 2022 $'000
Current portion	48	62
Non-current portion	291	164
	339	**226**

Deferred revenue arises from Indefeasible Right to Use (IRUs) sold to retail service providers. This revenue is amortised over the life of the IRUs.

ACCOUNTING POLICY

Deferred revenue

Where the Group receives payment in advance for network access (an indefeasible right of use), the revenue is deferred and recognised on a straight line basis over the period of access. The deferred revenue is recognised as a liability in the statement of financial position.

OTHER DISCLOSURES

20 Share capital

	Ordinary shares $'000	Redeemable preference shares $'000	Total shares $'000
Balance at 30 June 2022	**67,500**	**159,793**	**227,293**
Balance at 30 June 2023	**67,500**	**159,793**	**227,293**

ESL has 67,500,000 fully paid shares to CCHL, carrying one vote per share and the rights to dividends.

ESL has 159,793,465 fully paid redeemable preference shares, paid to $1 to CCHL. The redeemable preference shares have the same dividend entitlement rights on a per share basis, as holders of the ordinary shares and no voting rights. ESL may elect at any time to redeem all or part of the redeemable preference shares.

During the year there were no costs associated with share issues (2022: Nil).

Capital management

The Group's capital is its equity, which comprises retained earnings and share capital. Equity is represented by net assets.

The Group manages its equity as a by-product of prudently managing revenues, expenses, assets, liabilities, investments and general financial dealings to ensure the Group effectively achieves its objectives and purpose, whilst remaining a going concern.

ACCOUNTING POLICY

Equity instruments

An equity instrument is any contract that provides a residual interest in the assets of the Group after deducting the Group's liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of any direct issue costs.

ACCOUNTING POLICY

Consolidation

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of the subsidiaries are changed where necessary to ensure consistency with the policies adopted by the Group.

21 Related party disclosures

Identification of related parties

The Group is 100% owned by CCHL. CCHL is 100% owned by CCC. ENL is a 100%-owned subsidiary of ESL.

Related parties of the Group comprise CCHL, other members of the CCC Group, CCHL and CCC key management personnel, and the key management personnel of the Group.

During the period, no transactions were entered into by the Group with any of its Directors other than the payment of Directors' fees and the reimbursement of valid Group-related expenses.

Payments made by the Group to its key management personnel including Directors were as follows.

Key management personnel compensation	Group 2023 $'000	Group 2022 $'000
Short term employee benefits (inc. salaries and Directors' fees)	2,964	3,049
KiwiSaver employer contributions	59	84
Termination benefit	-	72
Total	**3,023**	**3,205**

Key management personnel comprise the Directors and the members of the executive team.

CCHL is a party to the UFB contract documents signed with CIP on 31 May 2011 under which it undertakes some of the obligations of ESL, and has provided a performance bond of $15m as at 30 June 2023 (2022: $15m).

Balances and transactions between the ESL and its subsidiary, which are related parties have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

Significant transactions and balances with related entities

Transactions during year	Note	Group 2023 $'000	Group 2022 $'000
Interest paid to CCHL	(i)	12,346	11,040
Purchases from CCHL		14	14
Subvention payments to CCC tax group	(ii)	8,410	2,348
Sales to CCC		30	98
Sales to City Care Ltd		7	43
Purchases from Crown, CCC and controlled entities		2,253	2,135
Purchases from City Care Ltd for services		28	109
Purchases from Connectics Ltd for services		-	24
Purchases from Mark Petrie for services		-	85
Purchases from Orion Ltd for services		10	9
Purchases from Venues Ōtautahi Ltd for services		-	11
Balances at end of year			
Loan balance due to CCHL	(iii)	294,400	294,400
Interest payable to CCHL	(iv)	383	329
Trade payable to CCC		5	3
Trade payable to City Care Ltd		16	-
Trade payable to Venues Otautahi Ltd		-	11
Trade receivable from CCC		16	4
Trade receivable from City Care Ltd		3	19

(i) Interest is charged on the CCHL loan at CCHL's weighted average cost of borrowing, plus a fixed margin of 0.2%.

(ii) The Group is a member of the CCC tax group, which comprises CCC, CCHL and a number of subsidiaries of each entity. In exchange for the use of its tax losses, the Group pays a subvention to other CCC tax group entities. In 2023 a subvention payment of $8.4m was made to CCC (2022: $2.3m).

(iii) The Group borrows from CCHL under a loan agreement to fund its operations. Further details of the loan arrangement are provided in Note 4.

(iv) Interest is payable to CCHL on a quarterly basis, and the balance accrued at balance date is included in trade creditors.

Other related party disclosures

The Group enters into various transactions with Government departments, Crown entities, state-owned enterprises, CCC and related council organisations. These transactions occur within a normal supplier or client relationship on terms and conditions no more or less favourable than those that it is reasonable to expect the Group would have adopted if dealing with those entities at arms-length in the same circumstances. These have not been disclosed as related party transactions.

In conducting its activities, the Group is required to pay various taxes and levies (such as income tax, GST, PAYE, ACC levies, and rates) to the Crown and entities related to the Crown and CCC. The payment of these taxes and levies is based on the standard terms and conditions that apply to all tax and levy payers.

22 Reconciliation of profit to net cash operating flows

	Note	Group 2023 $'000	Group 2022 $'000
Profit for the year		28,319	22,440
Add/(less) non-cash items			
Depreciation, amortisation and impairment expense	7	29,424	27,350
Deferred tax charged to income	9(d)	652	341
Net foreign exchange losses		13	18
		30,089	**27,709**
Add/(less) items classified as investing or financing activities			
Gain on disposal of non-current assets	5(b)	(6)	(10)
Other		(219)	(36)
		(225)	**(46)**
Add/(less) movement in working capital items			
Trade and other payables	12	(1,475)	(203)
Inventories and work in progress - current	14	(1,314)	(805)
Trade and other payables	16	(903)	767
Employee entitlements	17	85	(65)
Current tax liabilities	9(c)	2,354	6,208
		(1,253)	**5,902**
Net cash flows from operating activities		**56,931**	**56,005**

23 Classification of assets and liabilities

Financial assets measured at amortised cost	Group 2023 $'000	Group 2022 $'000
Cash and cash equivalents	6,839	5,741
Trade and other receivables	2,752	2,039
Bank deposits with maturities of 4 to 12 months	-	6,000
	9,591	**13,780**
Financial liabilities measured at amortised cost		
Trade and other payables	6,843	7,824
Lease liabilities for right of use assets	4,497	4,685
Borrowings	295,537	295,983
	306,877	**308,492**

24 Statement of service performance

The Statement of Intent (SoI) issued by ESL last year in respect of the 2023 financial year included both financial and non-financial performance measures. The following table compares ESL's actual results for the year ended 30 June 2023 with the targets contained within the SoI.

Financial performance targets

Profitability	Unit	Group 2023	Group 2022
Gross telecommunications revenue	$'000	100,820	98,600
Total revenue growth	%	13.9%	11.7%
Operating margin % (EBITDA / invested capital)	%	12.0%	8.5%
EBITDA growth	%	16.0%	5.9%
Debt to EBITDA x (Net debt / underlying EBITDA)	Ratio	3.7	4.0
Net profit after tax (NPAT)	$'000	28,319	23,100
Capital structure			
Total assets	$'000	819,873	753,800
Debt	$'000	295,537	295,900
Equity	$'000	410,704	364,600
Shareholder's funds to total assets	%	50.1%	48.4%
Net gearing % (Net debt / net debt plus equity)	%	42.2%	44.6%
Interest cover (EBIT / interest expense)	Ratio	4.1	3.8
Returns to shareholders			
Dividends	$m	20.0	20.0
Return on invested capital % (EBIT / invested capital)	%	7.6%	5.0%
Return on equity % (NPAT / average equity)	%	7.4%	6.4%
Operational performance targets			
Number of connections (cumulative)	No.	150,948	150,369
Operational service level agreement achievement	%	94.94%	95.00%
Total network availability*	%	99.996%	99.970%

Target Status	Explanation
Achieved	Target has been met.
In Progress	A plan has been put in place and is underway, achievable within the timeframe.
Ongoing	A plan is in place with ongoing results delivered over several reporting periods.
Not Achieved	Target has not been met, or target is unachievable.

*Total network availability is calculated as the average number of downtime minutes over the total available network up time for the year.

Further explanation of our actual SoI results, including explanations of variances to target, for the year ended 30 June 2023 are as follows.

Financial targets

Gross telecommunications revenue represents all sales to retail service providers with the positive variance achieved from connections of 150,948, ahead of the target of 150,369, resulting in total revenue growth of 13.9%, 2.2% above the 11.7% target. In addition, cost saving initiatives ensured that the Group exceeded the net profit after tax target and contributed to the payment of a $20m dividend to the shareholder.

The strong operating performance contributed to a sound year-end cash position with all capital structure gearing ratios exceeded.

Operational performance targets

We increased the number of connections by 7,617 during the year, ahead of target by 579. The network availability continues to be achieved through close network monitoring and the dedication of our people and our field service teams to address any issues that do arise.

Health and Safety performance targets

Enable continues to focus on achieving the highest standards of health and safety performance, with the application of the three C's (Consult, Co-ordinate & Co-operate) with our field service contractors as a requirement of the Health and Safety at Work Act 2015, and it remains an on-going area of focus.

We had 5 Total Recordable Injuries in the last year, comparable with the previous year, although above the target of <=3.0. The recordable injuries were categorised as Minor to Moderate and none were of a nature that required notification to WorkSafe. There were no serious injury harm injuries in line with the target of nil.

Targets

	Target	Status
	Employee outcomes – living wage and employee engagement	
1	Maintain provision of the living wage for all Enable (direct) and primary contractor employees.	Achieved
	Remuneration adjustments to ensure we continue to meet adjusted living wage have been factored into the end of year remuneration reviews.	
2	Continue to evolve our people strategy in terms of engagement; employee benefits; and performance management, recognition, and reward to lift employee engagement.	Ongoing
	New performance process has been embedded alongside the introduction of key benefits pertaining to Parental Leave and Leave Purchasing and comprehensive internal leadership development programme.	
3	Continue to improve Enable's diversity and inclusiveness in leadership.	In progress
	Our internal leadership development programme included a diverse set of attendees and two emerging female leaders have been sponsored to attend the CCHL group's Women in Leadership Programme. Further work continues.	
4	Continue to monitor for remuneration and benefit inequalities in Enable and ensure there aren't any.	Ongoing
	As part of the annual remuneration review, a portion of the budget is dedicated to gender-based pay aimed at supporting pay parity.	

Sustainability

Enable has continued to focus on sustainability and support CCHL's sustainability working group.

Target		Status
Sustainability		
1	Achieve and maintain B Corp™ certification to enforce Enable's commitment to ensuring our business supports a sustainable future and provide a measure of our overall performance.	Achieved
	We have completed the B Corp™ assessment and verification process and have had our certification confirmed. Needing a minimum score of 80, Enable achieved 95.1.	
2	Adopt science-based targets (SBT) for scope 1 and 2 absolute emissions reduction that require Enable to achieve a 35% reduction by FY25 against our FY20 baseline and a 62% reduction by FY30.	In progress
	Scope 1 and 2 science-based targets have been adopted and accompanying emissions reduction investment plan approved. Our FY23 scope 1 and 2 emissions have decreased by 30 tCO_2e (13%) to 197 tCO_2e against our FY20 baseline primarily due to a 6% reduction in the emission factor from 0.000101 to 0.000074 tCO_2e per Kilowatt Hour. There is some level of uncertainty associated with calculating Greenhouse Gas emissions. To minimise this uncertainty, all scope 1 and 2 source data has been obtained directly from suppliers. We have calculated our emissions based on the most up to date emissions factors available from the Ministry for the Environment and supplier sources at the time our Greenhouse Gas emissions data was produced.	
3	Finalise a plan to achieve net zero emissions (scope 1, 2 and 3) by FY30 in line with CCC expectations.	In progress
	In addition to the Scope 1 and 2 reduction plan, Scope 3 targets and a related reduction plan has also been approved. An offsetting strategy is also being developed in conjunction with wider CCHL group to manage any residual emissions.	
4	Create a market position that demonstrates to consumers that fibre is the most sustainable connectivity technology.	Ongoing
	Work with other fibre companies to further the sustainability attributes of fibre has not advanced beyond the original electricity consumption work that was done.	
5	Redesign our approach to resource consumption to support circular economy principles, including corporate and operational procurement and tender decisions.	Ongoing
	We continue to ensure that the principles are considered as part of our commitment to a circular economy and to work with our contractors and suppliers to support to do the same.	
6	Work with our key contractors to minimise network infrastructure waste, specifically: • implement a multi-duct recycling programme, and • finalise a reuse and recycling plan for first generation equipment to be implemented as it is decommissioned.	Ongoing
	With the on-going engagement with our contractor, we continue to look at options to ensure multi-duct is appropriately managed. The first-generation equipment plan is still being worked on as the network upgrade programme progresses.	
7	Ensure our corporate landfill waste is below our FY22 benchmark, by continuing to educate our people on waste minimisation.	Ongoing
	We maintain programs to educate and support appropriate waste minimisation and disposal in our corporate offices.	

Target		Status
Community partnerships – generating greater community value		
1	Improve digital equity for ŌCHT tenants through a partnership initiative to support more tenants to participate in the digital world.	Achieved
	Enable has installed fibre to 18 ŌCHT Community Lounges and has supported ŌCHT to provide tenants with a broadband solution, which was launched in March 2023.	
2	Partner with Government, industry and other potential stakeholders to develop a fibre-based proposition specifically to address digital equity issues in our community.	Achieved
	Enable continues to support the Ministry of Education (MOE) to provide broadband to digitally excluded households that meet the MoE's criteria.	
3	Continue to operate our Christchurch Free Wi-Fi service in key central locations, and market it to support maximum economic growth, visitor, and community benefits.	Achieved
	The fibre-based Christchurch Free Wi-Fi service was delivered in conjunction with Christchurch City Council and has continued to be popular since its launch in June 2022. The service has had over 150,000 users in the last year with the summer months proving the most popular.	
4	Support the largest local secondary schools to leverage the full potential of fibre broadband for better education outcomes by delivering Hyperfibre to them.	Achieved
	Hyperfibre has been installed in the top three largest secondary schools.	
5	Work closely within the CCHL Group and with other potential partners to unlock and realise new initiatives that can support the group to deliver greater value and returns to our community.	Achieved
	We have worked with other operating companies with the CCHL group to investigate various initiatives.	
6	Maintain key strategic partnerships and sponsorships aimed at supporting a local environment of growth and innovation, including: • our Canterbury Employers' Chamber of Commerce and Future Leaders in Technology sponsorships; and • our partnership with University of Canterbury to provide engineering students with project opportunities.	Achieved
7	Identify and realise new opportunities to partner with an organisation on a joint initiative or sponsorship that will support growth in our community or support individual opportunities to grow.	Achieved
	We have worked with or supported a number of organisations from eSports to digital equity initiatives.	
Te Ao Māori		
1	Continue to engage directly with iwi and mana whenua to build knowledge and better understand Enable's relationship with the land and our community and enhanced cultural understanding and competency with our business.	Ongoing
	Enable people have participated in initiatives to build cultural competency e.g. Treaty of Waitangi workshops, Te Reo Lessons, and marae visits.	
2	Actively participate in He Huanui Māori CCHL and the cross-CCHL Group leadership team to accelerate initiatives aimed at promoting improved cultural capability across the Group and generating positive outcomes for Māori and our broader community.	Ongoing
	Enable is actively participating and hosting or co-ordinating pan-CCHL cultural competency initiatives e.g. Te Reo Lessons.	

UNRECOGNISED ITEMS

25 Capital commitments

Under the terms of the UFB contract, the Group is required to build Communal Infrastructure and Central Offices, and to connect the network to relevant premises when an end user requests this from a retail service provider.

The Group has a capital commitment of $4.7m for Layer 2 equipment, to be upgraded in FY24.

26 Contingent liabilities

The Group had no contingent liabilities as at 30 June 2023 (2022: $nil).

27 Standards not yet effective

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 30 June 2023 reporting periods and have not been early adopted by the Group.

These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

28 Events after the balance sheet date

There were no significant events after the balance date requiring disclosure or adjustment in these financial statements.

Governance and related information

Governance

Corporate governance framework

Enable's Board and management are committed to ensuring that our people act ethically, with integrity and in accordance with Enable's policies and values.

Enable (which for the purposes of this governance statement, comprises ESL and ENL) is ultimately owned by CCC, and its corporate governance practices and policies reflect the wider public accountability that this ownership structure entails.

The Board regularly reviews and assesses Enable's policies, processes and practices to ensure they reflect Enable's operations and culture, and to identify opportunities for improvement.

Board role and responsibilities

The Board is appointed by 100% shareholder CCHL, and is responsible for Enable's strategy, culture, governance and performance.

The Board effectively represents, and promotes the interests of the shareholders with a view to adding long-term value to the company's shares. The Board has all the powers necessary for managing, and for directing and supervising the management of the business and affairs of the Group. Having regard to its role, the Board directs and overviews the business and affairs of the Group, including in particular:

- ensuring that Enable's goals are clearly established, and that strategies are in place for achieving them;
- establishing policies for strengthening the performance of Enable, to ensure enhancement of shareholder value;
- deciding on whatever steps are necessary to protect Enable's financial position and the ability to meet its debts and other obligations when they fall due, and ensuring that such steps are taken;
- ensuring the financial statements present fairly Enable's financial position and financial performance and otherwise conform with law;
- ensuring that Enable adheres to high standards of ethics and corporate behaviour;
- ensuring that Enable has appropriate risk management / regulatory compliance policies in place;
- appointment and performance review of CEO;
- approving and implementing the business plan and Statement of Intent; and
- reviewing and approving capital investments and distributions.

The Board monitors economic, political, social and legal issues and other relevant external matters that may influence or affect the development of the business or the interests of the shareholder and, if thought appropriate, will take outside expert advice on these matters.

Board relationship with shareholder

The Board uses its best endeavours to familiarise itself with issues of concern to the shareholder. The Board aims to ensure that CCHL is informed of all major developments affecting Enable's state of affairs. Information is communicated to CCHL through periodic reports and briefings, and through both the annual report and the half yearly report.

Conduct of Directors

The conduct of Directors is required to be consistent with their duties and responsibilities to Enable and, indirectly, to the shareholder. In carrying out their roles the Boards places emphasis on strategic issues and policy.

Directors are expected to keep themselves abreast of changes and trends in the business and in Enable's environment and markets. Directors use their best endeavours to attend board meetings and to prepare thoroughly and are expected to participate fully, frankly and constructively in Board discussions and other activities and to bring the benefit of their particular knowledge, skills and abilities to the board table.

A Director may, with the Chair's prior approval, take independent professional advice (including legal advice) and request the attendance of such an advisor at a Board or Board Committee meeting.

Directors are entitled to have access, at all reasonable times, to all relevant company information and to management. Directors are expected to strictly observe the provisions of the Companies Act 1993 applicable to the use and confidentiality of company information.

Board meetings and committees

The Board meets approximately seven times per year. Additional meetings are convened as and when required. The Board's annual work programmes are set before the start of each financial year. The Board receives formal agenda papers and regular reports, generally a week in advance of meetings. Directors also have other opportunities to obtain information and may seek expert advice.

The board delegates some responsibilities and tasks to board committees, but the board retain ultimate responsibility and accountability for any committee's actions or inactions. Subject to any conflict issues, all directors receive agenda papers for committee meetings and all directors may attend committee meetings.

The Board has three standing committees:

- Audit and Risk Committee: liaises with the Group's independent external auditor and reviews the effectiveness of internal controls, financial and regulatory information, and operational risk management.
- Health, Safety, Wellbeing and People Committee: plays a pivotal role in the Group's commitment to ensuring the wellbeing and safety of our employees, visitors and stakeholders. This committee serves as a dedicated forum for the identification, assessment, and management of health and safety risks, remuneration policies and practices. Providing guidance and feedback on succession planning, talent development, inclusion and diversity and other people and culture policies and practices.
- Future Technology and Products Committee: to assist the Board in fulfilling its corporate governance responsibilities relating to future technology, information security, product investment and performance of the product investments.

Board Chair

The Chair is responsible for representing the Board to the shareholder, and for ensuring the integrity and effectiveness of the governance process of the Board.

The Chair is responsible for maintaining regular dialogue with the Chief Executive Officer over all operational matters and consults with the remainder of the Board promptly over any matter that gives him or her cause for major concern.

The Chair acts as facilitator at meetings of the Board to ensure that discussion results in logical and understandable outcomes. The Chair leads a Board and Director evaluation exercise from time to time.

Remuneration and performance

Enable's remuneration model is based on principles of alignment to shareholder value, simplicity, clarity and fairness, and remuneration outcomes based on both individual and company performance.

Directors' remuneration

Total remuneration paid to Directors for the year ended 30 June 2023 was determined by the shareholder, which was allocated as follows.

	2023	2022
Justin Murray	94,458	92,040
Craig Elliot	53,929	52,548
Keiran Horne*	24,821	-
Geoff Lawrie	53,926	45,624
Mark Petrie	56,749	55,296
Scott Weenink	56,748	55,295
Kathy Meads**	4,837	58,045
Mark Bowman***	-	17,516
	345,467	**376,634**

* Keiran Horne appointed 25 Jan 2023
** Kathy Meads retired 27 Jul 2022
*** Mark Bowman retired 19 Oct 2021

Chief Executive Officer's remuneration

The Chief Executive Officer's (CEO) remuneration consists of fixed and variable remuneration. The CEO's package is reviewed annually by the Health, Safety, Wellbeing and People Committee and the Board after reviewing the CEO's and Enable's performance, taking advice from external remuneration specialists.

Johnathan Eele	2023 $'000	2022 $'000
Fixed remuneration	562	456
Incentive	146	-
KiwiSaver contributions	16	14
	724	**470**

Steve Fuller	2023 $'000	2022 $'000
Fixed remuneration	-	120
Incentive	-	265
KiwiSaver contributions	-	11
	-	**396**

Employee remuneration range

The following table shows the number of employees and former employees who, in their capacity as such, received remuneration and other benefits (excluding KiwiSaver contributions) in excess of $100,000 during the year ended 30 June 2023:

$	2023	2022
100,000 - 109,999	10	4
110,000 - 119,999	6	8
120,000 - 129,999	11	7
130,000 - 139,999	6	6
140,000 - 149,999	6	3
150,000 - 159,999	7	2
160,000 - 169,999	3	3
170,000 - 179,999	2	2
180,000 - 189,999	2	1
190,000 - 199,999	1	2
200,000 - 209,999	3	-
210,000 - 219,999	1	-
220,000 - 229,999	-	1
230,000 - 239,999	-	1
260,000 - 269,999	-	1
300,000 - 309,999	-	1
310,000 - 319,999	1	-
350,000 - 359,999	1	1
380,000 - 389,999	1	1
390,000 - 399,999	1	1
400,000 - 409,999	1	1
450,000 - 459,999	-	1
720,000 - 729,999	1	-

The Company's average remuneration for top and bottom 10% of employees as at 30 June

	Group 2023	Group 2022
Total number of employees	131	123
Average remuneration for the top 10%	$317,858	$295,568
Average remuneration for the bottom 10%	$53,789	$49,330

Note: Calculated based on full time equivalent total remuneration.

Other disclosures

Directors' interests

ESL maintains an interests register in which particulars of certain transactions and matters involving the Directors are recorded. These are requirements under the Companies Act 1993. The following entries were recorded in the interests register during the year ended 30 June 2023.

Director	Position	Directors' Interests
Justin Murray Chair	Director	Enable Networks Limited
	Director and Shareholder	FDJ Murray & Company Holdings Limited, Murray Capital Limited, Murray Partners Limited, Murray & Company Limited
	Trustee	Murray Family Trust
Craig Elliott	Director	Enable Networks Limited
	Trustee	Elliott Family Trust
Keiran Horne	Director	Enable Networks Limited, Quayside Holdings Limited, Quayside Properties Limited, Quayside Securities Limited, ScreenSouth Limited, Television New Zealand Limited
	Shareholder	Spey Downs Limited
	ARC Chair	Hamilton City Council
	Commissioner & ARC Chair	New Zealand Lotteries Commission
	Council Member	University of Canterbury
	Treasurer	CEC Charitable Trust, Conductive Education
	Trustee	AJ & MJ Horne Family, Horne Widbore's Family Trust
Geoff Lawrie	Director	Enable Networks Limited, Plan B Limited, WEL Networks Limited
	Director and Shareholder	Auror Limited, Ingenium (Younity) Limited
Mark Petrie	Director	Enable Networks Limited, DARC Energy Limited, DARC Technologies Limited
	Director and Shareholder	Brighter Days Limited, CommArc Consulting Limited, De Novo Partners Limited, KMCH Limited (corporate trustee of the Petrie Investment Trust), Mark Petrie Investments Limited, Nexbe Limited
	Trustee	Mark Petrie Family Trust, Petrie Investment Trust
Scott Weenink	Director	Enable Networks Limited, Cricket Players Property Trustee Limited, Escalate Advisory Limited, Escalate Investments Limited, Generate Funds Limited, Generate Funds NZ Limited, Generate Investment Holdings Limited, Generate Investment Management Limited, New Zealand Cricket Players Association, Xceda Capital Group Limited, Xceda Finance Limited
	Trustee	Cricketers Trust, St Cuthbert's College Educational Trust Board

Attendances of ESL Board and Committee meetings during the 2023 financial year

	ARC	HSW&P	FTP	Board
Total number of meetings	**5**	**3**	**3**	**10**
Justin Murray	5	3	3	10
Craig Elliott			2	10
Keiran Horne (appointed 25 Jan 2023)	3			7
Geoff Lawrie	5		2	10
Mark Petrie			3	10
Scott Weenink	2	3		9

ARC Audit and Risk Committee
HSW&P Health, Safety, Wellbeing and People Committee
FTP Future Technology and Products Committee

Insurance

The Group has effected Directors' and Officers' Liability insurance. The Group indemnifies the Directors against costs and liabilities incurred by Directors for acts or omissions made in their capacity as Directors to the extent permitted by the Group's Constitution and the Companies Act 1993.

Donations

Donations were made to the Breast Cancer Foundation NZ, Burnett Foundation Aotearoa (formerly NZ Aids Foundation) and Christchurch City Mission of $1,845 in total.

Dividends

The Group paid a dividend of $20m during the year.

Principal activities

The principal activity of the Group is the supply of communication infrastructure and services in Christchurch.

Independent Auditor's Report

To the readers of Enable Services Limited's Group financial statements and performance information for the year ended 30 June 2023

The Auditor-General is the auditor of Enable Services Limited and its controlled entities (collectively referred to as 'the Group'). The Auditor-General has appointed me, Nathan Wylie, using the staff and resources of PricewaterhouseCoopers, to carry out the audit of the financial statements and the performance information of the Group, on his behalf.

Opinion

We have audited:

- the financial statements of the Group on pages 44 to 72 and 77, that comprise the statement of financial position as at 30 June 2023, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the Group on pages 73 to 76.

In our opinion:

- the financial statements of the Group on pages 44 to 72 and 77:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2023; and
    - its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand in accordance with New Zealand equivalents to International Financial Reporting Standards; and
- the performance information of the Group on pages 73 to 76 presents fairly, in all material respects, the Group's actual performance compared against the performance targets and other measures by which performance was judged in relation to the Group's objectives for the year ended 30 June 2023.

Our audit was completed on 12 September 2023. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

Emphasis of Matter – Inherent uncertainties in the measurement of greenhouse gas emissions

The Group has chosen to include a measure of its greenhouse gas (GHG) emissions in its performance information. Without modifying our opinion and considering the public interest in climate change related information, we draw attention to Note 24 on page 75 of the annual report, which outlines the inherent uncertainty in the reported GHG emissions. Quantifying GHG emissions is subject to inherent uncertainty because the scientific knowledge and methodologies to determine the emissions factors and processes to calculate or estimate quantities of GHG sources are still evolving, as are GHG reporting and assurance standards.

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

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

Responsibilities of the Board of Directors for the financial statements and the performance information

The Board of Directors is responsible on behalf of the Group for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand. The Board of Directors is also responsible for preparing the performance information for the Group.

The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the Board of Directors is responsible on behalf of the Group for assessing the Group's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Board of Directors intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors' responsibilities arise from the Local Government Act 2002.

Responsibilities of the auditor for the audit of the financial statements and the performance information

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error.

Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements and the performance information.

For the budget information reported in the financial statements and the performance information, our procedures were limited to checking that the information agreed to the Group's statement of intent.

We did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- We evaluate the appropriateness of the reported performance information within the Group's framework for reporting its performance.

- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern.
- If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtain sufficient appropriate audit evidence regarding the financial statements and the performance information of the entities or business activities within the Group to express an opinion on the consolidated financial statements and the consolidated performance information. We are responsible solely for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify in our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 2 to 43, 78 to 82, and 86 to 87 but does not include the financial statements and the performance information, and our auditor's report thereon.

Our opinion on the financial statements and the performance information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and the performance information, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the performance information or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report the fact. We have nothing to report in this regard.

Independence

We are independent of the Group in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: ***International Code of Ethics for Assurance Practitioners***, issued by New Zealand Auditing and Assurance Standards Board.

In addition to the audit, we were engaged to perform assurance engagements for the 2023 disclosure year pursuant to the Fibre Information Disclosure Determination 2021, and information disclosure requirements of section 83 of the Telecommunications Act 2001. These engagements are compatible with those independence requirements. Other than the audit and these engagements, we have no relationship with, or interests in, the Group.

Nathan Wylie
PricewaterhouseCoopers
On behalf of the Auditor-General
Christchurch, New Zealand

Glossary

Parties involved	
ENL	Enable Networks Limited (previously jointly-owned by CIP and ESL – since 29 June 2016, wholly owned by ESL)
ESL	Enable Services Limited (previously Christchurch City Networks Limited)
CIP	Crown Infrastructure Partners Limited – the Crown entity that negotiated and administers the UFB contract
CCHL	Christchurch City Holdings Limited – the 100% owner of ESL
CCC	Christchurch City Council – the 100% owner of CCHL

Physical network	
UFB Network	Ultra-Fast Broadband network, as contracted between CIP, ENL, ESL and CCHL
Network layer 1	Passive fibre optic network infrastructure - the physical fibre network assets which are essentially the unlit pipeline or pathway that the electronics use to transmit, otherwise known as dark fibre. These assets include ducting and optical fibre
Network layer 2	The electronics necessary to light the optical fibre or the means by which communication occurs down the layer 1 pathway. These assets are located in ENL central offices, points of interconnect and in the premises of end users
Central Office	Point of interconnect facility - building which contains layer 2 assets, with fire protection, security and backup generator assets
Communal Infrastructure	Fibre optic cables running down every street, to the boundary of premises

Contractual/financial	
Re-organisation	The series of transactions that took place on 29 June 2016, which resulted in ESL acquiring full ownership of ENL
CPPP	Cost per Premise Passed for Communal Infrastructure
CPPC	Cost per Premises Connected to Communal Infrastructure
IRU	Indefeasible Right to Use
UAT	User Acceptance Testing
A shares	A shares in the capital of ENL having the rights and restrictions set out in the ENL Constitution; in particular, they carry voting but not dividend rights
B shares	B shares in the capital of ENL having the rights and restrictions set out in the ENL Constitution; in particular, they carry rights to dividends but not voting rights
Concession period	The period commencing on the date ENL was incorporated and ending on the tenth anniversary of the date of ENL's incorporation (31 May 2021)

Directory

REGISTERED OFFICE
Level 3, Iwikau
93 Cambridge Terrace
Christchurch
New Zealand

CONTACT ADDRESS
PO Box 9228
Tower Junction
Christchurch 8149
New Zealand

Shareholder Christchurch City Holdings Limited

Auditor The Auditor-General is the auditor pursuant to section 14 of the Public Audit Act 2001. Nathan Wylie of PricewaterhouseCoopers was appointed to perform the audit on behalf of the Auditor-General.

Solicitor Simpson Grierson

Banker BNZ

---

enable.net.nz | admin@enable.net.nz | 0800 434 273

enable
fibre broadband

enable.net.nz