ENABLE SERVICES LIMITED
2015 ANNUAL REPORT

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Fibre Broadband


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CONTENTS

ABOUT ENABLE SERVICES LIMITED

Enable Services Limited (ESL) is a major investor in a fibre broadband network that will transform how people use technology in their businesses and homes, and will provide tremendous value to our community as an enabler of future innovation and economic growth.

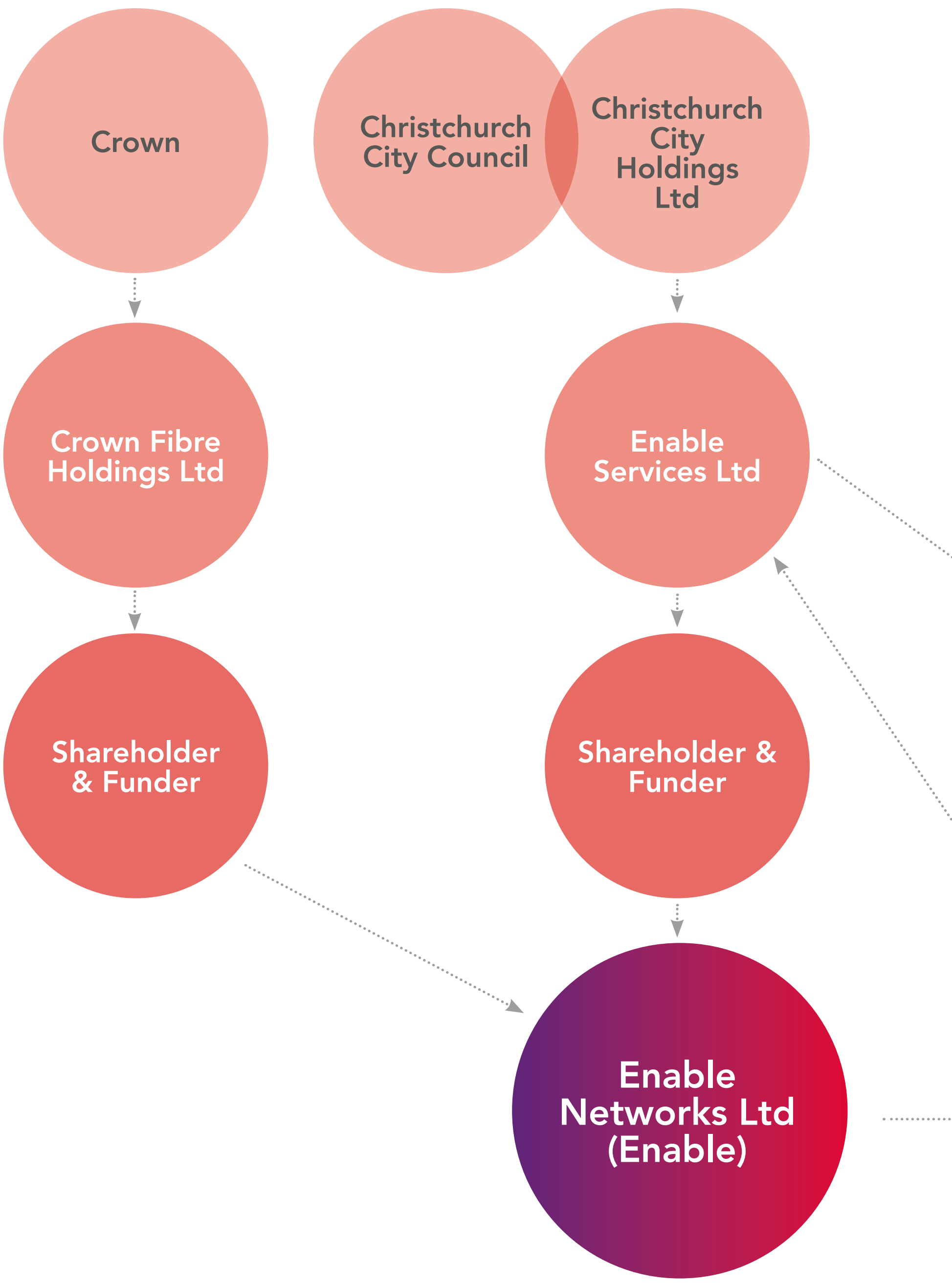
ESL is a fully owned subsidiary of Christchurch City Holdings Limited (CCHL), the investment arm of the Christchurch City Council (the Council). It was launched in 2007 to build a commercial fibre network aimed at providing better quality telecommunications services to businesses and schools in Christchurch.

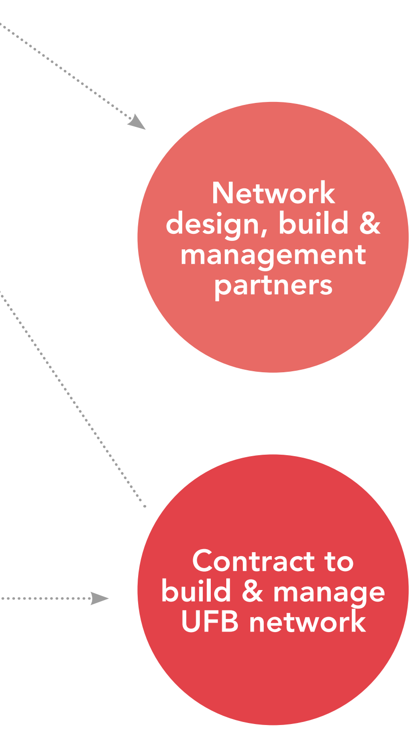
In May 2011, ESL entered into a partnership with the Government to provide fibre broadband services to 180,000 homes, businesses, schools and healthcare facilities across Christchurch and parts of the Waimakariri and Selwyn districts – as part of the national ultra-fast broadband (UFB) initiative.

Winning the UFB contract resulted in the creation of a new joint venture, local fibre company, Enable Networks Limited (ENL). ENL is jointly owned by ESL and the Government agency Crown Fibre Holdings Limited (CFH).

In recent years, ESL has transformed from a small fibre provider into both a large local infrastructure investment business and a leading infrastructure services company.

First and foremost, ESL is a major investor – on behalf of the greater Christchurch community – in what will become the largest and most important telecommunications network in our city. As more and more people connect to fibre





broadband, the true value of this investment will become clear to those that are enjoying the benefits of fibre and to those that are creating new economic and social opportunities over fibre-based connectivity. The Council, through CCHL, will also benefit from long term future dividends.

As an infrastructure services company, ESL is contracted to build and operate this new fibre broadband network for ENL. ESL is also contracted (via a Management Services Agreement) to provide chief executive, sales and marketing, financial, management/ administration support, and operating and maintenance services. In its role as a network build and management contractor, ESL has generated over 550 new jobs within the local community – including in ESL itself and across the organisations it partners with.

"Investing in and building world-class fibre infrastructure for the people of greater Christchurch."

CHAIRMAN AND CEO REPORT

The aggressive growth of our business and progress towards becoming a successful mass-market fibre broadband network company are the highlights of 2015. This growth was most clearly demonstrated by the local fibre network now reaching close to half of our community, and with over 12,000 homes and businesses now connected.

Last year, we stated the need for more businesses, schools, healthcare providers and homes to switch to fibre broadband in order for its true potential to be realised - this is now happening to a greater degree. In fact, tens of thousands of local people are now doing business, learning, providing community services, connecting with family or being entertained on a daily basis over our fibre broadband network.

We have set an ambitious target of doubling the number of connected customers in the coming year as uptake rapidly increases – with fibre broadband services widely available to about half of our community and all major retail service providers now connecting their customers to our network. We are well on our way to being the large-scale, mass market fibre network operator we set out to become.

Performance as an infrastructure service provider

Network build momentum has continued to grow as we approach the half-way mark in deployment, so much so that during 2015 we were able to bring forward our planned network completion date to 31 December 2018 – a year ahead of initial plans.

We responded to connection demand that was three times greater than the previous year and out performed our expectations by over 30 percent. Today, the business is managing almost three times the network infrastructure and more than eight times the customer connections it was two years ago.

Health and Safety at the heart of how we work

Ensuring Health and Safety remains at the forefront of every aspect of our business has been a focus in 2015, and will remain a focus of the business. Our goal is to ensure Health and Safety is more than a business activity – that it is embedded in everything we do as a business.

We work closely with all our network build and operation partners – the Network Delivery Alliance, Downer, MultiMedia Communications, Tru-line Civil, and Huawei – to continuously improve our Health and Safety performance and to ensure it is ingrained in everything we do. With this in mind, we undertook a major review of our Health and Safety system during 2015 – to understand how we could further improve with definitive actions now in place.

We introduced a new Health and Safety vision – **"Think Safe, Work Safe, Home Safe"** – and ensured all our policies and procedures supported maintaining excellence in Health and Safety practice.

At the end of 2015, the Loss of Time Frequency Rate was 5.34 injuries per million hours worked; below the reported (2014) New Zealand construction sector benchmark of 5.7.

Network build programme

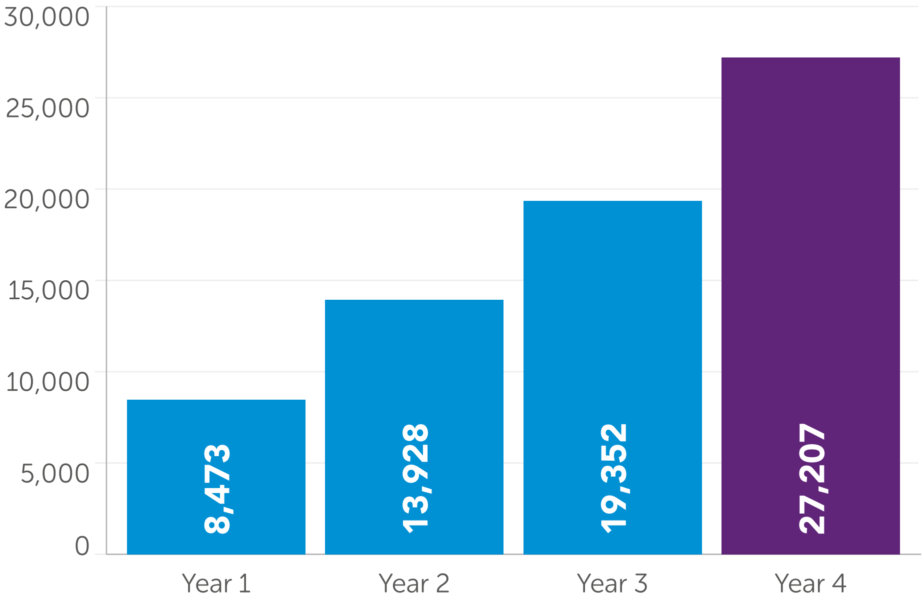
Our Network Delivery Alliance and other contract partners completed our most aggressive network deployment programme to date in 2015, passing 27,207 premises.

The deployment result was circa 15 percent ahead of the plan agreed with CFH and also exceeded the commitment made to CCHL through our Statement of Intent. Included in the premises passed were 2,759 Greenfield premises - taking the total Greenfields premises deployed to nearly 4,500.

"Today we have 10,000 homes, 2,000 businesses and 100 schools connected to our network."

CEO Steve Fuller and
Chairman Mark Bowman.

Premises passed by deployment programme



The build programme also included reaching 23 additional schools. 134 schools within our coverage area are now able to connect to fibre broadband - 90 percent of all schools.

Our core infrastructure programme was also completed early in the year – with the final of our 12 central offices commissioned along with all the interconnecting backhaul. There are now live customer connections in every one of our network central offices.

Management of the network

Management of the fibre broadband network includes ensuring uninterrupted network operations, the connection of new premises and on-going service provision to retail service providers and their customers.

By year end, we were connecting over 800 new customers to the network each month – and this will rise to over 1,000 in the first quarter of the new financial year.

We worked closely with our connection partners Downer and MultiMedia Communications throughout the year to ensure they understood the need to increase connection capacity while maintaining the expected customer experience. We also increased our network management and customer services resources. These efforts combined have ensured we kept the number of connections in progress at a consistent volume throughout the year, despite the growing demand.

We have introduced innovation that has reduced the time to connect, while creating a better customer experience. A number of new systems and processes have been implemented in order fulfilment to automate or streamline how we manage a connection through to completion and ensure we remain easy to do business with for our retail service providers.

We performed well ahead of our key performance indicator of 75 percent of all connections delivered on the date agreed, by delivering services to 87 percent of new customers on time.

Our customer services function has managed an astonishing number of interactions with our end user, retail service provider and broader communities in order to ensure we deliver the network and its services in a way that is in the best interests of all stakeholders. We have managed over 50,000 calls, processed 6,500 requests for utility service plans, gained over 2,500 owner consents to deliver a service, and installed 650 service lead-ins as local people build or repair their homes.

In terms of the management of the network infrastructure, we continue to perform very strongly - consistently delivering network performance well in excess of contracted service levels with greater than 99.99% network availability achieved and all average downtime metrics being within service level targets.

Driving Enable Networks Limited's success

Our local community embraces fibre broadband.

86,500 homes, businesses and schools can now access fibre broadband services – meaning our market has increased by 30,000 potential customers in the past year.

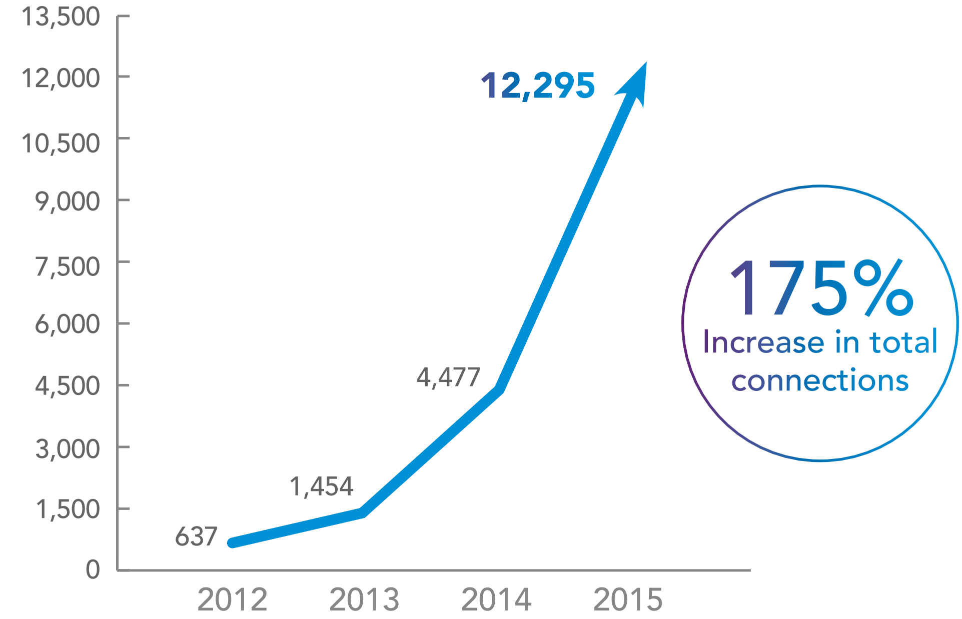
7,818 new customers connected to the network during the year – increasing total connections by 175 percent to 12,295. This included 6,964 homes and 825 new businesses – exceeding connection targets in both markets.

In addition, we connected 29 new schools to fibre broadband – extending the total number of schools connected to 104.

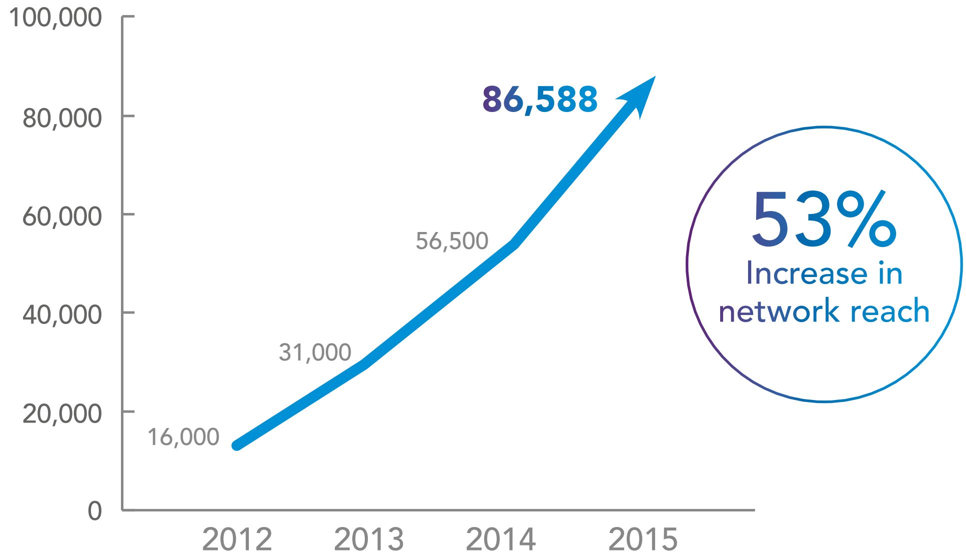
At year end, the uptake rate across our entire network was 14.2 percent. In areas where fibre broadband has been available for some time, the uptake is much higher.

There are a number of uptake hot spots in Christchurch with uptake as high as 40 percent in some areas.

CUSTOMER CONNECTION FIGURES



CUSTOMERS ABLE TO ACCESS FIBRE



Rolleston uptake is almost 40 percent; with Halswell and Lincoln close to 30 percent; and Burnside, Bishopdale, Bryndwr, Casebrook and Addington over 20 percent.

The retail market for fibre broadband services continues to grow.

Ten retail service providers are now offering fibre broadband services to the residential market over the network and 32 to the business market.

Most significantly, New Zealand's second largest telecommunications retailer, Vodafone, entered the local residential fibre broadband market in September 2014 – following Spark's entry in early 2014. This meant that four of the top five residential providers were connecting customers to our network for most of the year – with the final top-five provider (Slingshot) testing services by year end in preparation for launch.

Our people are our business

During 2015 we have continued to focus on employing, growing and retaining the best people to work in our business.

The business consisted of 79 people, plus a small number of contractors at year end. We had increased by only seven people from last year – reflecting the phase of stability the business entered in 2014. The increased numbers were to manage growth in the business or to fill any critical skills gaps.

With only a small workforce growth, we were able to focus on building a high performing culture and desirable employment environment. We want it to be a place where people feel empowered to perform, supported in their work and beyond, and energised each day about what they can achieve as part of our business.

Through the year, we have continued our reward and recognition programme, and looked to build on our quarterly awards by aligning them with delivering customer excellence and our business values.

We have increased our focus on Health and Wellness and made it a central part of our people strategy – with a number of new initiatives

focused on the physical health of and support for our team.

We also continue to work with our project delivery partners – such as the Network Delivery Alliance, Downer, Huawei and MultiMedia Communications – to empower their people to act as part of the wider team when they represent our business.

ESL's financial performance

ESL's 2015 financial performance continues to reflect our dual role in the delivery of fibre broadband to greater Christchurch – as we invest in ENL through its rapid growth period, and continue to build the network and deliver operational capability for it.

We enjoyed revenue growth ahead of target – with an increase by $10.6m to $74.4m. The vast majority of this revenue came directly from the ENL network build and operational contracts. With more network built and more customers connected than planned, ESL earned more revenue than expected.

The accelerated rate of deployment and higher than anticipated connection volumes, have resulted in an uplift in our total asset base.

Our net loss increased – as it has year-on-year since the fibre broadband roll-out began – to $10.0m in 2015. Increases in net loss early in our long-term investment in fibre broadband are expected, before these begin to taper and we target moving to a NPAT positive positon in the next five years. There are a number of factors contributing to the 2015 loss, namely the increase in borrowing interest payments to fund the network build and network operations costs.

Looking ahead

In 2015 we made great strides towards being the most successful fibre network provider in New Zealand. The job is certainly not done – and our focus will remain clearly on this goal in the coming year.

We know that our success will ultimately be measured by two very discerning stakeholders. The first key group of stakeholders is our investors – represented by CCHL and the Council, but ultimately Christchurch ratepayers. The second is our customers, the retail service provider community and their customers – again, the people of greater Christchurch.

With this in mind, our key drivers will be delivering excellence in customer experience in everything we do – while also continuously improving productivity and efficiency across our business.

"We have set a target of generating 12,000 new connections in the coming year."

Our Year Five deployment programme began on 1 July and it clearly demonstrates a commitment to making fibre broadband available to our community as quickly as possible. We've announced our intention to reach approximately 33,000 more homes and businesses this year – a more aggressive deployment than last year.

In order to achieve this we will continue to support our Network Delivery Alliance to improve efficiency and productivity in all aspects of the network build – through innovation in network design, constant review of construction resourcing and introduction of new deployment methods, where appropriate.

This programme will see the network extended to 120,000 homes and businesses, meaning our build programme will be two thirds complete by 30 June 2016. We will have made fibre broadband services available to over 90 percent of all businesses and all 151 schools within our coverage area by 31 December 2015.

Along with announcing our Year Five programme, we recently published indicative deployment plans to the end of the network roll-out – in response to community demand for this information. A focus for the coming year is confirming these plans – to provide greater certainty to our community.

We have set a target of generating 12,000 new connections in the coming year. We will continue to support this objective by helping the final mass-market retail service provider (Slingshot) enter the market very early in the new year and continuing to work with all retailers to aggressively market fibre broadband.

Our operational investment strategy for the coming year is built on our non-negotiable requirement of delivering an excellent customer experience. It will include development and the introduction of new operating systems that streamline our processes and make us easier to do business with, effective allocation of resources within our business, and working closely with our partners to constantly review and respond appropriately with resources and innovation to meet growing demands.

2016 will also be a significant year from a regulatory perspective and we will need to take an active role in the telecommunications industry review set to begin this year, as an increasingly sizable investor in the industry.

Embedded in everything we do as a business in the coming year will be our people strategy and our approach to Health and Safety. We want how we look after, empower and create opportunities for our people to be a defining factor in the kind of organisation we grow into. In the coming year, we will continue to review our work practices and network deployment methods to maintain excellence in our Health and Safety practice and ensure it is an intrinsic part of our organisational DNA.

Finally, we will continue to review ESL's strategic direction and operational structure so that the business is geared and focused on maximising the value of ESL (and its investment in ENL) for its shareholder today and into the future.

The Board and Senior Management are acutely aware – and very appreciative – of the enormous contribution made on a daily basis by all the people within our business and our delivery partners. We are determined to continue to evolve and grow our business to be one where people can continue to achieve exceptional results.

MARK BOWMAN, Chairman

STEVE FULLER, CEO

BOARD OF DIRECTORS

Brett Gamble
Director

Brett Gamble is currently a management consultant and professional director specialising in start-up and growth businesses within the energy and technology industries.

Prior to this Brett held senior executive positions at Solid Energy focused on development of new and growth business opportunities. He successfully co-founded a financial and technology consulting business in Australia and has had an extensive career in management and corporate finance consulting, living and working in New Zealand, Australia, the United States and United Kingdom.

Brett also sits on the board of ENL.

Charlotte Walshe
Director

Charlotte Walshe is CEO of Dynamic Controls, a leading global designer and manufacturer of electronic control systems for power wheelchairs and mobility scooters. Charlotte has run the company from its Christchurch base for eight years.

Before her current role, Charlotte held senior operations, sales and general management roles in the packaging and print industry – working for AEP Flexipac and Filmpac.

Mark Bowman
Chairman

Mark Bowman is a Christchurch-based professional Director specialising in the governance and leadership of high growth businesses.

Mark has experience in the technology, telecommunications, healthcare, tourism, industrial, and energy sectors. Prior to his governance roles, Mark held senior executive roles with Navman, HP and Hitachi.

Mark has been Chairman of ESL since 1 July 2013. He also sits on the board of ENL.

Bill Luff
Director

Bill Luff has spent the last 35 years working in government and multinational business roles. Much of his experience has been with British Petroleum (BP) in New Zealand and overseas.

Since returning to New Zealand in 1996, he has held a number of significant executive and board positions. These include CEO of Tasman Energy Limited, CEO of Canterbury Development Corporation, Chief Strategy and Marketing Officer for Solid Energy and Deputy Chairman of the Lyttelton Port Company Board.

Bill was Chairman of ESL from its establishment through until 30 June 2013.

Chris Birkett Director

Chris Birkett is the Managing Director of General Cable Oceania which encompasses New Zealand, Australia and the Pacific Islands and was previously Chief Financial Officer (CFO) Asia Pacific for the business.

Prior to working for General Cable, Chris was CFO for high-end mountain bike component supplier RockShox Inc. and had built a career in PwC's Audit practice in New Zealand and abroad.

Chris holds a degree in commerce and accounting from the University of Victoria, and is a member of the Chartered Accountants Australia and New Zealand.

Owen Scott Director

Owen Scott has 25 years' experience in the New Zealand technology sector. Since 2004 he has been Managing Director of Christchurch-based strategic marketing company Concentrate. Prior to establishing Concentrate, he held a number of senior roles at Jade Software Corporation – including Vice President Operations, Jade USA and General Manager Marketing.

Owen is an Adjunct Senior Fellow for the University of Canterbury's Engineering Management Programme, and is a member of the New Zealand Institute of Management and the New Zealand Institute of Directors.

Owen also sits on the ENL board.

CONTENTS

The Directors are pleased to present the audited financial statements of Enable Services Limited for the year ended 30 June 2015

Mark Bowman
Director
Christchurch
28 August 2015

Brett Gamble
Director
Christchurch
28 August 2015

GLOSSARY

ENL	Enable Networks Limited
ESL	Enable Services Limited
CCC	Christchurch City Council
CFH	Crown Fibre Holdings Limited. CFH is a shareholder and funder of ENL
CCHL	Christchurch City Holdings Limited
CPPP	Cost Per Premises Passed for Communal Infrastructure
IRU	Indefeasible Right of Use
NIATA	Network Infrastructure Transfer Agreement
NIPA	Network Infrastructure Project Agreement
UAT	User Acceptance Testing
UFB network	Ultra-Fast Broadband network
Network layer 1	Passive fibre optic network infrastructure
Network layer 2	Active network infrastructure
"A" shares	A shares in the capital of ENL having the rights and restrictions set out in the ENL Constitution
"B" shares	B shares in the capital of ENL having the rights and restrictions set out in the ENL Constitution
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)
NDP	Network Deployment Plan
CO	Central Office
TSL	Transfield Services (New Zealand) Limited

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2015

	Notes	2015 $000	2014 $000*
Income			
Revenue	2	74,414	63,808
Interest income	2	1,703	631
Total income		**76,117**	**64,439**
Expenses			
Directors' fees	3	294	294
Finance costs	4	7,785	4,227
Cost of sales	5	68,777	58,541
Other expenses	6	8,618	4,585
Share of Loss of Associate	14	3,255	5,158
Total expenses		**88,729**	**72,805**
Profit/(loss) before tax		(12,612)	(8,366)
Tax expense/(credit)	7	(2,617)	(897)
Net profit/(loss) and total comprehensive income/(loss) for the year		**(9,995)**	**(7,469)**

*2014 comparatives have been restated – see changes in accounting policies on page 31.

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2015

	Notes	2015 $000	2014 $000*
Assets			
Current assets			
Cash and cash equivalents	8	1,176	504
Trade, other receivables and prepayments	9	48,928	22,890
Inventories	10	4,321	2,246
Current tax asset	7	2,529	-
Construction contract work in progress	11	48,861	30,719
Deferred CO Receivable from ENL		1,596	1,425
Total current assets		107,411	57,784
Non-current assets			
Property, plant and equipment	12	481	660
Intangible assets	13	1,640	3,963
Investment in Associate	14	40,790	37,246
Construction contract work in progress	11	1,363	1,572
Trade & Other Receivables & Prepayments	9	2,088	3,748
Deferred tax asset	7	796	1,443
Senior Notes with Associate	25	28,077	16,441
Loan to TSL	25	5,000	5,000
Deferred CO Receivable from ENL		3,854	962
Total non-current assets		84,089	71,035
Total Assets		191,500	128,819

*2014 comparatives have been restated – see changes in accounting policies on page 31.

STATEMENT OF FINANCIAL POSITION (CONT.)

AS AT 30 JUNE 2015

	Notes	2015 $000	2014 $000*
Liabilities			
Current Liabilities			
Creditors and other provisions	15	11,710	6,690
Employee entitlements	16	1,175	1,003
Total current liabilities		**12,885**	**7,693**
Term liabilities			
Deferred tax liabilities	7	46	77
Employee entitlements	16	477	462
Borrowings	17	164,500	100,000
Total term liabilities		**165,023**	**100,539**
Total Liabilities		**177,908**	**108,232**
Net assets		**13,592**	**20,587**
Issued capital	18	34,000	31,000
Retained earnings		(20,408)	(10,413)
Total equity		**13,592**	**20,587**

*2014 comparatives have been restated – see changes in accounting policies on page 31.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2015

	Issued Capital	Retained Earnings	Total $000*
2015			
Opening equity	31,000	(10,413)	20,587
Issue of ordinary shares	3,000	-	3,000
Net profit/(loss) and total comprehensive income/(loss)	-	(9,995)	(9,995)
Closing balance	**34,000**	**(20,408)**	**13,592**
2014			
Opening equity	24,500	(2,944)	21,556
Issue of ordinary shares	6,500	-	6,500
Net profit/(loss) and total comprehensive income/(loss)	-	(7,469)	(7,469)
Closing balance	**31,000**	**(10,413)**	**20,587**

*2014 comparatives have been restated – see changes in accounting policies on page 31.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2015

	Notes	2015 $000	2014 $000
Cash flows from operating activities			
Receipts from customers		33,270	43,553
Interest received		1,476	443
Payments to suppliers and employees		(90,920)	(83,902)
Net GST movement		325	1,903
Interest and other finance costs paid		(7,365)	(3,597)
Income tax (paid)/received		-	(4)
Subvention Payments		705	-
Net cash outflow from operating activities	19	(62,509)	(41,604)
Cash flows from investing activities			
Payment for intangible assets and property, plant & equipment		(1,819)	(2,973)
Purchase of Investments		(2,500)	(11,616)
Payment for property, plant and equipment		-	-
Net cash outflow from investing activities		(4,319)	(14,589)
Cash flows from financing activities			
Proceeds for issues of equity securities	18	3,000	6,500
Proceeds from borrowings	17	64,500	47,500
Net cash inflow from financing activities		67,500	54,000
Net (decrease)/increase in cash and cash equivalents		672	(2,193)
Cash and cash equivalents at the beginning of the year		504	2,697
Cash and cash equivalents at the end of the year	8	1,176	504

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

1. Statement of accounting policies

Reporting entity

Enable Services Limited ('ESL' or 'the Company') is a wholly owned subsidiary of Christchurch City Holdings Limited ('CCHL'), formed for the purpose of developing telecommunications infrastructure in the Greater Christchurch Urban areas.

The financial statements of ESL are for the year ended 30 June 2015 and were authorised for issue by the ESL Board of Directors on 28 August 2015.

Statement of compliance

ESL is a profit-oriented entity. These financial statements also comply with New Zealand International Reporting Standards (NZ IFRS). ESL is reporting as a Tier 1 entity.

The accounting policies set out below have been applied consistently in all periods presented in the financial statements.

Basis of preparation

The financial statements have been prepared on a historical cost basis as set out below.

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). ESL's functional currency is New Zealand dollars.

Significant accounting policies

Revenue

Interest

Interest income is recognised using the effective interest method. Interest income on an impaired financial asset is recognised using the original effective interest rate.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts or payments (including all fees and points paid or received between the parties to the contract that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or, where appropriate, a shorter period to the net carrying amount of the financial instrument at the time of initial recognition.

Fibre income

Fibre income is recognised in the period in which the service is provided by reference to either the completion of a specific transaction (connection fees) or the proportion of the on-going services provided (measured on a time basis) such as Access Revenues. No new fibre services are being contracted with end users and/or retailers by the Company.

Where the Company receives payment in advance for network access, the deferred revenue is recognised as a liability on the Statement of Financial Position and recognised as revenue as services are performed.

Goods sold and services rendered

Revenue from the sale of goods is recognised in the statement of comprehensive income when the significant risks and rewards of ownership have been transferred to the buyer. Revenue from services rendered is recognised in the profit or loss in proportion to the stage of completion of the transaction at balance date. The stage of completion is assessed by reference to surveys of work performed. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods or continuing management involvement with the goods. Revenue obtained from a contract, which provides an IRU on the network, is spread equally over the term of the contract and recognised in the profit or loss accordingly.

Operating leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight line basis over the lease term.

Lease incentives received are recognised in the profit or loss over the lease term as an integral part of the total lease expense.

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 that are readily converted to known amounts of cash and are subject to an insignificant risk of changes in value. All investments are held in New Zealand.

Trade, loans and other receivables

Trade, loans and other receivables including the loan to TSL, Senior Notes and deferred CO receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Impairment of a receivable is established when there is objective evidence that ESL will not be able to collect amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, the probability that the debtor will enter into bankruptcy, and defaults in payment are considered indicators that the receivable is impaired.

Receivables that are assessed not to be impaired individually are also subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include ESL's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of one month, as well as observable changes in national or local economic conditions that correlate with default on receivables.

The amount of the impairment is the difference between the receivables carrying amount and the present value of estimated future cash flows, discounted at the receivables original effective interest rate.

The carrying amount of the receivable is reduced by the impairment loss directly for all receivables with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the receivable at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 30 JUNE 2015

Foreign currency

Transactions in foreign currencies are translated at the foreign exchange rate ruling on the day of the transaction. Foreign currency monetary assets and liabilities at the balance date are translated into NZ dollars at the rate ruling at that date. Foreign exchange differences arising on translation are recognised in the profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to NZ dollars at rates ruling at the dates the fair value was determined.

Property, plant and equipment

Assets are shown at historical cost less depreciation. Historical costs include expenditure that is directly attributable to the acquisition of the items, including labour and other costs.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to ESL and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the profit or loss during the financial period in which they are incurred.

Depreciation is calculated using the straight line method to allocate the cost or re-valued amounts, net of their residual values, over their estimated useful lives.

Depreciation is on the following basis:

• Plant and Equipment	1 - 25 years
• Leasehold Improvements	6 - 14 years
• Motor Vehicles	3 - 5 years

Impairment of non-financial assets

The carrying amounts of ESL's assets, other than inventories (see Inventories policy) and deferred tax assets (see Income Tax policy), are reviewed at each balance date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. Values are primarily assessed on the basis of fair value less cost to sell.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the profit or loss. Impairment losses on revalued assets offset any balance in the asset revaluation reserve, with any remaining impairment loss being posted to the profit or loss.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (group of units) and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.
Assessment of potential impairment may involve the use of a number of significant assumptions including approximations of specific asset impairment based on average asset costs and estimates of likely future losses based on current circumstances.

Calculation of recoverable amount

The recoverable amount of ESL's investments in receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e., the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their market value less cost to sell and value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of impairment

An impairment loss in respect of a receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

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

Construction contracts

On 31 May 2011 ESL was awarded the government contract to install an open access fibre optic network to every premise in the Greater Christchurch Urban areas. Under this contract the Company takes on an obligation to build the network within ten years which it will progressively sell to ENL upon certain requirements being met. The contract is within the scope of NZ IAS 11 Construction Contracts.

When the outcome can be assessed reliably, contract revenue and associated costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the reporting date. Revenue is measured at the fair value of consideration received or receivable in relation to that activity.

When ESL cannot measure the outcome of a contract reliably, revenue is recognised only to the extent of contract costs that have been incurred and are recoverable. Contract costs are recognised in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised immediately in profit or loss.

The stage of completion of any construction contract is assessed by management by taking into consideration all information available at the reporting date including milestones for the project work to be carried out.

The maximum amount of revenue to be recognised for each milestone is determined by estimating relative contract fair values of each project phase; that is by comparing overall revenue that ESL expects from its construction contract with the profit expected to be made on fulfilling the corresponding milestone. Progress and related contract revenue in between milestones is determined by comparing costs incurred to date with the total estimated costs for that particular milestone (this procedure is sometimes referred to as the "cost-to-cost" method).

The gross amount due from customers for contract work is presented as an asset as "Construction contracts work in progress'" for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceeds progress billings. The gross amount due to customers for contract work is presented as a liability within "other liabilities" for all contracts in progress for which progress billings exceed costs incurred plus recognised profits.

Cost allocations

Some contract costs relating to the construction contract have been directly attributed or allocated to Contract Costs in line Contract Agreements. Contract costs and other operating expenses include all costs directly related to specific contracts, costs that are specifically chargeable to the customer under the terms of the contract and an allocation of overhead expenses.

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 25 - 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.

Investment in associate

Associates are entities over which ESL has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method, after initially being recognised at cost.

ESL's share of its associates' post-acquisition profits or losses is recognised through profit or loss, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates reduce the carrying amount of the investment.

If ESL's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, it does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Financial liabilities

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.

Amounts which may be required to be settled within twelve months are presented as current liabilities, and the remainder is presented as non-current liabilities.

Creditors and other payables

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

Provisions

A provision is recognised in the statement of financial position when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits, the amount of which can be reliably estimated, will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Employee entitlements

Employee entitlements that ESL 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.

These include salaries and wages accrued up to balance date, and annual leave earned but not yet taken at balance date. A liability for sick leave is recognised based on the unused sick leave entitlement that can be carried forward at balance date, to the extent that it is expected to be used by staff to cover future absences.

A liability and an expense are recognised for short term incentives and long term incentive plans where there is a contractual obligation or where there is a past practice that has created a constructive obligation.

Superannuation schemes

Defined contribution schemes

Obligations for contributions to KiwiSaver are accounted for as contributions to defined contribution superannuation schemes and are recognised as an expense in the profit or loss as incurred.

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.

The net amount of GST recoverable from, or payable to, Inland Revenue is included as part of other receivables or creditors and other payables in the statement of financial position. The net GST paid to or received from Inland Revenue, including the GST relating to investing and financing activities, is classified as operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

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 ESL 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 ESL 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.

Share capital

Ordinary shares are classified as equity. The shares on issue represent the total authorised shares of the Company as at 30 June 2015 under the Companies Act 1993. All ordinary shares are equally eligible to receive dividends and the repayment of capital, and represent one vote at ESL's shareholder's meeting.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Statement of cash flows

The following are the definitions of the terms used in the statement of cash flows:

- Operating activities are the principal revenue-producing activities of the Company and other activities that are not investing or financing activities.
- Investing activities are those activities relating to the acquisition and disposal of non-current assets.
- Financing activities are those activities that result in changes in the size and composition of the contributed equity and borrowings of the Company.

Critical accounting estimates and assumptions

In preparing these financial statements ESL 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. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Review for impairment of investment in associate

The investment in ENL represents an investment in an infrastructure company. The investment is recognised as an investment in an associate and as such is not revalued in the financial statements. ESL is required to assess the value of the investment for impairment.

Assessment of the value of ENL requires significant assumptions including levels of uptake, average rates of sales, operating cost levels, depreciation rates and financing costs.

Critical judgements in applying accounting policies

Management has exercised the following critical judgements in applying ESL's accounting policies for the year ended 30 June 2015.

Assessment of construction contract values

The Company is contracted to build the UFB network for ENL over a build programme concluding by December 2019. A project of this nature has a number of up-front costs, including initial design, resourcing of staff, and investment in total project infrastructure. These costs are required to be recovered throughout the build programme. The Company has exercised its judgement as to whether these costs will be recoverable through the life of the project.

Changes in accounting policies

Developers Contributions

ESL has changed its accounting policy for Developer Contributions. Previously developer contributions were recorded within revenue. ESL now records Developer Contributions as a credit to Construction Contract Work in Progress on the basis of the contributions reducing the cost charged to ENL. The prior year comparatives have been restated to reflect this change in accounting policy, refer to the restatement of comparatives note below.

Minor Capital Items

ESL has changed its treatment of the Minor Capital Items purchased through the Network Delivery Alliance (NDA). In the prior year these items were recorded within prepayments. ESL through review of NZ IAS 11 has determined that these items should be recorded within Construction Contract Work in Progress on the basis they will be materially used up over the period of the Network Build. The prior year comparatives have been restated to reflect this change in accounting treatment, refer to the restatement of comparatives note below.

There have been no further changes in accounting policies.

Restatement of comparatives

Impact on Restated Statement of Financial Position - 30 June 2014

	Notes	Original Balance $000	Developer Contribution Restatement $000	Minor Capital Items Restatement $000	Restated Balance $000
Equity					
Retained Earnings		(9,454)	(959)	-	(10,413)
Assets					
Construction Contract Work in Progress – Current	11	31,766	(1,332)	285	30,719
Construction Contract Work in Progress – Non Current	11	575	-	997	1,572
Current Prepayments	9	900	-	(285)	615
Non-Current Prepayments	9	2,721	-	(997)	1,724
Deferred Tax	7	1,070	373	-	1,443

Impact on Restated Statement of Comprehensive Income - 30 June 2014

	Notes	Original Balance $000	Developer Contribution Restatement $000	Capital Items Restatement $000	Restated Balance $000
Greenfields Revenue from Developers		1,332	(1,332)	-	-
Tax Expense		(524)	(373)	-	(897)

Adoption of new and revised Standards and Interpretations

In the current year, ESL adopted all mandatory new and amended standards and interpretations. None of the new and amended standards and interpretations had a material impact on the amounts recognised in these financial statements.

ESL is not aware of any standards on issue but not yet effective which would materially impact the amounts recognised or disclosed in the financial statements. They will be adopted when they become mandatory.

2. Revenue

	2015 $000	2014 $000*
Interest income		
Interest earned on cash balances with financial institutions and Senior Notes	1,703	631
Total interest income	1,703	631

Revenue		
Fibre income – gross telecommunications services revenue	684	1,301
Rendering of services	582	470
Management services revenue	3,656	2,983
Operations and maintenance revenue	5,342	4,678
Construction contract revenue	55,778	48,252
Sale of Inventory	8,372	6,124
Total income	74,414	63,808

Gross telecommunications services revenue

In accordance with the information disclosure requirements under section 83 of the Telecommunications Act 2001, ESL's gross telecommunications services revenue is $684k (2014: $1,301k).

There were allowable deductions of $527k (2014: $1,126k).

*2014 comparatives have been restated – see changes in accounting policies on page 31.

3. Directors' fees

	# of board meetings attended in 2015	# of board meetings attended in 2014	2015 $000	2014 $000
Board member fees during the year were:				
William Luff	13	12	42	42
Mark Bowman (Chairman)	14	13	78	78
Brett Gamble	15	13	46	46
Charlotte Walshe	14	9	44	44
Owen Scott	13	11	42	42
Chris Birkett	12	12	42	42
Total Board member fees			**294**	**294**

During the year there were 15 Board meetings (2014: 13 meetings)

ESL has effected Directors' and Officers' Liability insurance. The Company 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 Company's Constitution and the Companies Act 1993. During the year the board received no notices from the Directors requesting to use Company information received in their capacity as Directors which would not otherwise have been available to them. There were no loans made to Directors.

During the period, no transactions were entered into by ESL with any of its Directors other than the payment of Directors' fees and the reimbursement of valid ESL-related expenses. Positano Holdings Limited, a company in which Brett Gamble is a director and shareholder, provided professional services totalling $105k of which $43k was owing at balance date (2014: 77k with $18k owing).

4. Finance costs

	2015 $000	2014 $000
Interest expense on CCHL borrowings	7,785	4,227
Total finance costs	**7,785**	**4,227**

5. Cost of sales

	2015 $000	2014 $000
Cost of goods sold – Communal Infrastructure Network Build – Layer 1	40,957	38,929
Cost of goods sold – Communal Infrastructure Network Build – Layer 2	873	6,519
Costs of goods sold – Communal Infrastructure Network Build – Connections Layer 1	8,808	2,267
Cost of goods sold – Communal Infrastructure Network Build – Connections Layer 2	1,751	537
Costs of goods sold – Inter Candidate Area backhaul	2,917	-
Cost of goods sold – MDU	473	-
Costs of goods sold – Other	542	330
Cost of goods sold – Inventory	8,432	6,122
Operations and maintenance – Direct Costs	3,487	2,711
UFB fibre charges from ENL	537	1,126
Total cost of sales	68,777	58,541

6. Other expenses

	2015 $000	2014 $000
Audit fees for the financial statements – Current year	65	57
Audit fees for the financial statements – Under accrual of previous year	16	-
Office expenses	416	641
Net foreign exchange losses	11	(4)
Professional services	404	93
Travel	118	118
Motor vehicle costs	116	86
Other*	3,998	3,594
Impairment expense	3,474	-
Total other expenses	**8,618**	**4,585**

Employee costs and Operating Leases as listed below		
Salaries and wages	7,572	5,831
Employer contributions to defined contribution plans	194	135
Increase in employee entitlements	24	340
Total employee costs	**7,790**	**6,306**

Operating Lease Expenses gross amount was $514k (2014: $478k).

Some of these costs have been allocated to Construction Contract Work in Progress.

Impairment losses recognised in the year

During the year, as the result of a contract dispute referred to in note 21, ESL carried out a review of the recoverable amount of Intangible Assets. The review led to the recognition of an impairment loss which has been recognised in the profit or loss. The carrying value of the asset was reduced by $3.474m (2014: nil).

*Other expenses includes Depreciation and Amortisation costs as per notes 12 &13.

7. Taxation

	2015 $000	2014 $000
Income tax expense/(credit) recognised in profit/(loss)		
Current tax expense/(credit) in respect of the current period	(2,529)	-
Current tax expense/(credit) relating to prior year adjustments	-	-
Deferred tax expense relating to the origination and reversal of temporary differences	617	(1,234)
Prior period adjustment to current tax	(705)	334
Tax expense/(income) relating to prior year adjustments	-	(3)
Income tax expense	(2,617)	(897)

Reconciliation		
Profit/(loss) for the year	(12,612)	(8,366)
Income tax expense/(credit) calculated at 28% (2014:28%)	(3,532)	(2,342)
Effect of expenses that are not deductible	911	1,443
Effect on deferred tax balances of prior period tax losses	4	2
Income tax expense	(2,617)	(897)

ESL is a member of the CCC Tax group. ESL pays or receives subvention payments to/from other members of the CCC tax group. The amount recognised as a receivable from 2014-2015 tax year is $2,529k (2014: nil). ESL received a subvention payment from other members of the CCC tax group of $705k (2014: nil). These payments are treated as if they were payments/receipts of income tax and they are reflected as part of the taxation payable/ (receivable) amount.

Deferred tax assets and liabilities

Year Ended 30 June 2015	2015 Opening balance $000	2015 Charged to profit/(loss) $000	2015 Charged to equity $000	2015 Closing balance $000
Deferred tax asset/(liability):				
Temporary differences				
Property, plant and equipment	(77)	31	-	(46)
Employee entitlements	291	(166)	-	125
Expense accruals	11	20	-	31
Work in Progress	373	267	-	640
Loss Carried Forward	768	(768)	-	-
Total	**1,366**	**(616)**	**-**	**750**
Represented by:				
Deferred tax assets	1,443	(647)	-	796
Deferred tax liabilities	(77)	31	-	(46)
Net deferred tax asset/(liability)	**1,366**	**(616)**	**-**	**750**

Year Ended 30 June 2014	2014 Opening balance $000	2014 Charged to profit/(loss) $000	2014 Charged to equity $000	2014* Closing balance $000
Deferred tax asset/(liability):				
Temporary differences				
Property, plant and equipment	(84)	7	-	(77)
Employee entitlements	208	83	-	291
Expense accruals	8	3	-	11
Work in Progress	-	373	-	373
Loss Carried Forward	-	768	-	768
Total	**132**	**1,234**	**-**	**1,366**
Represented by:				
Deferred tax assets	216	1,227	-	1,443
Deferred tax liabilities	(84)	7	-	(77)
Net deferred tax asset/(liability)	**132**	**1,234**	**-**	**1,366**

*2014 comparatives have been restated – see changes in accounting policies on page 31.

	2015 $000	2014 $000
Imputation credits available for use in subsequent periods	485	485

8. Cash and cash equivalents

	2015 $000	2014 $000
Cash on hand and at bank	1,176	504
Total cash and cash equivalents	**1,176**	**504**

All cash on hand is held with the BNZ. The carrying value of short-term deposits with maturity dates of three months or less approximates their fair values.

9. Trade, other receivables and prepayments

	2015 $000	2014* $000
Current		
Trade receivables	1,137	971
Related party trade receivables**	47,201	21,304
Prepayments	590	615
GST receivables	-	-
Total Current trade, other receivables and prepayments	**48,928**	**22,890**
Non Current		
Related party trade receivables**	810	2,024
Prepayments	1,278	1,724
Total Non-Current trade, other receivables and prepayments	2,088	3,748
Total trade, other receivables and prepayments	**51,016**	**26,638**

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

*2014 comparatives have been restated – see changes in accounting policies on page 31.

**This includes nil (2014: $151k) for Secondary Access Network Income to be received by ENL, and $29.776m (2014: $21.650m) of revenue recognition based on a percentage completion calculation on Capital WIP, and $18.234m (2014: $1.705m) of receivables due from ENL.

10. Inventories

	2015 $000	2014 $000
Inventory	4,321	2,246
Total inventories	**4,321**	**2,246**

Inventory is generally held short term for resale to contractors building the UFB network. Certain inventories are subject to security interests created by retention of title clauses.

11. Construction Contract Work in Progress

	2015 $000	2014 $000
Current asset		
Opening balance	30,719	12,652
Additions	73,473	66,258
Transfer from non-current portion of construction contract	447	61
Sale of Construction Network asset to ENL	(55,778)	(48,252)
Current Construction Contract Work in Progress	**48,861**	**30,719**
Non-current asset		
Opening balance	1,572	636
Additions	238	997
Transfer to current portion of construction contract	(447)	(61)
Non-Current Construction Contract Work in Progress	**1,363**	**1,572**

Construction contract work in progress is determined on a percentage completion basis. Cost of Sales life to date of $170.423m (2014: $114.645m) have been incurred in accordance with the network build contract with ENL, no profit has been recognised. ESL has received payment for UFB network stages to a total of $100.345m (2014: $61.662m). No payment in advance has been received nor are retentions held in relation to the contract at balance date.

12. Property, plant and equipment

	Plant & equipment at cost $000	Work in progress at cost $000	Leasehold improvements at cost $000	Motor vehicles at cost $000	Total $000
Gross carrying amount:					
Balance at 30 June 2013	821	249	103	56	1,229
Additions	394	-	6	12	412
Disposals	(21)	(249)	-	-	(270)
Transfers to intangible assets	(104)	-	(29)	-	(133)
Balance at 30 June 2014	1,090	-	80	68	1,238
Additions	106	-	-	-	106
Disposals	(2)	-	(68)	(42)	(112)
Balance at 30 June 2015	1,194	-	12	26	1,232
Accumulated depreciation and impairment:					
Balance at 30 June 2013	(290)	-	(47)	(36)	(373)
Depreciation expense	(265)	-	(13)	(12)	(290)
Disposals	55	-	30	-	85
Impairment losses	-	-	-	-	-
Balance at 30 June 2014	(500)	-	(30)	(48)	(578)
Depreciation expense	(228)	-	(12)	(8)	(248)
Disposals	2	-	39	34	75
Balance at 30 June 2015	(726)	-	(3)	(22)	(751)
Net book value at 30 June 2014	590	-	50	20	660
Net book value at 30 June 2015	468	-	9	4	481

13. Intangible assets

	Work in progress $000	Software $000	Total $000
Gross carrying amount and impairment			
Gross carrying amount at 30 June 2013	495	837	1,332
Additions	2,973	10	2,983
Disposals	-	133	133
Gross carrying amount at 30 June 2014	3,468	980	4,448
Additions (software)	1,560	381	1,941
Impairment Expense	(3,474)	-	(3,474)
Transfers to Software	(367)	-	(367)
Gross carrying amount and impairment at 30 June 2015	1,187	1,361	2,548

Accumulated amortisation			
Accumulated amortisation at 30 June 2013	-	(187)	(187)
Amortisation expense	-	(298)	(298)
Accumulated amortisation at 30 June 2014	-	(485)	(485)
Amortisation expense	-	(423)	(423)
Accumulated amortisation at 30 June 2015	-	(908)	(908)
Carrying amount at 30 June 2014	3,468	495	3,963
Carrying amount at 30 June 2015	1,187	453	1,640

Current intangible asset costs are predominately software related. The intangible asset work in progress relates primarily to the development of an operating support system and business support system on behalf of ENL.

Impairment losses recognised in the year

During the year, as the result of a contract dispute referred to in note 21, ESL carried out a review of the recoverable amount of Intangible Assets. The review led to the recognition of an impairment loss which has been recognised in the profit or loss. The carrying value of the asset was reduced by $3.474m (2014:nil).

The recoverable amount of intangible assets has been assessed by reference to a detailed analysis of both physical and intangible assets held with consideration given to current market value, those assets which still have value to the Company and management's past experience.

Management believe that any reasonably possible change in the above detail analysis on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of Intangible Assets.

14. Investment in associate

	2015 $000	2014 $000
Shares Received		
A shares received for UFB network	43,497	34,738
B shares received for UFB Layer 2	3,205	2,547
B shares received for Existing Network	324	3,442
B shares received for Working Capital	6,550	6,050
Total Costs of Shares in ENL	**53,576**	**46,777**
Cumulative share of Profit/(Loss) in Associate	(12,786)	(9,531)
Total investment in associate	**40,790**	**37,246**

ESL entered an agreement with CFH and ENL on 31 May 2011 relating to the construction, deployment and operation of the UFB network for the Greater Christchurch Urban areas.

ENL's principal place of business is Christchurch and is incorporated in New Zealand.

ESL has contractual obligations to build the UFB network and sell it to ENL for a fixed price. The build requirements are split into Communal Infrastructure which is the UFB network on public land to the edge of private boundaries. The End User Specific Infrastructure is the network built on private land connecting users from the boundary to their premise. The End User Specific Infrastructure is only built when a user requests connection.

Both Communal Infrastructure and End User Specific Infrastructure have two different components being Layer One which is the unlit fibre, and Layer Two which is the electronics required to light the fibre.

The agreement details how ENL is funded by CFH and ESL. The purchase of each part of the network is funded differently within ENL. The funding obligations on ESL to ENL are as follows.

A Shares

A shares have voting rights but do not receive dividends. ESL funds approximately 33% of the cost of the Layer One Communal Infrastructure in return for A shares or debt in ENL as a non-cash transaction. Approximately 67% remaining is funded by CFH to ENL, this is paid to the Company in cash in return for A Shares.

B Shares

B shares have dividend rights but do not have voting rights. Where free cash flow in ENL is not sufficient to purchase, the Layer Two Communal Infrastructure, End User Specific Infrastructure and working capital requirements in ENL, these are funded by ESL using a hierarchy of specified B Share equity, then debt through note instruments to certain debt/equity ratios and if ratios are exceeded through the issue of further B shares. Where funding to ENL is provided through B shares the transaction occurs as a non-cash transaction in return for the relevant part of the Network or in return for cash in the case of working capital requirements. At 30 June 2015 ENL had issued Senior Notes to ESL of $28.076m (2014: $16.441m).

In addition to these B shares ESL also received B shares for the sale of the existing fibre network to ENL in February 2012. These B shares are able to convert to A shares to the extent that ESL does not hold more than 49% of voting rights through A shares during the UFB network build period. During 2014/15 year: 6,344,657 (2014: 25,371,310) B Shares for existing fibre network had been converted to A Shares.

All A shares and B shares in ENL convert to ordinary shares at the end of the Concession period.

Associate status

Although ESL holds the substantial majority of total shares issued in ENL, it only holds approximately 44% (2014: 49%) of the voting shares and does not control ENL. ESL is deemed to hold significant influence over ENL through its holding of A and B shares and it therefore accounts for ENL as an associate.

Summarised financial statements of associate for the 12 months ended 30 June

	2015 $000	2014 $000
Current Assets	3,051	1,870
Non-Current Assets	144,017	91,074
Current Liabilities	37,269	12,391
Non-Current Liabilities	62,821	41,099
Revenue	8,521	5,273
Net profit/(loss) after tax/Total Comprehensive Income	**(6,139)**	**(8,474)**

Reconciliation of Summarised financial statements of associate to carrying amount of interest in associate as at 30 June.

	2015	2014
Net Assets of ENL	46,977	39,454
Proportion of ESL's ownership in ENL	49.0%	56.4%
Carrying Amount of ESL's interest in ENL	40,790	37,246

15. Creditors and other provisions

	2015 $000	2014 $000
Creditors & accrued expenses	9,522	6,467
Security for Suppliers Obligations	500	-
GST payable	1,599	28
Retentions	89	195
Total creditors and other provisions	**11,710**	**6,690**

Creditors 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.

16. Employee entitlements

	2015 $000	2014 $000
Current employee entitlements are represented by:		
Employee incentives	414	436
Annual leave	449	340
Other	312	227
Total current employee entitlements	**1,175**	**1,003**
Non-current employee entitlements are represented by:		
Long term employee incentive plan	477	462
Total non-current employee entitlements	477	462

17. Borrowings

	2015 $000	2014 $000
Loan from CCHL	164,500	100,000
Total borrowings	164,500	100,000

ESL has a subordinated loan agreement with CCHL. The loan is unsecured and the interest rate is a base rate plus a 1% margin. At 30 June 2015 the rate was 5.532% (2014: 5.83%). The line of credit is for $220m of which ESL has drawn down $164.5m to date (2014: $100m).

18. Issued capital

	2015 No. of Shares #000	2014 No. of Shares #000	2015 Value of Shares $000	2014 Value of Shares $000
Issued capital – fully paid and authorised				
Opening balance – ordinary shares	31,000	24,500	31,000	24,500
Shares issued	3,000	6,500	3,000	6,500
Closing balance – ordinary shares	**34,000**	**31,000**	**34,000**	**31,000**

During the year there were no costs associated with share issues (2014: nil).

19. Reconciliation of net profit/(loss) to net cash from operating activities

	2015 $000	2014 $000
Net profit/(loss) after tax	(9,995)	(7,469)
Add/(less) non-cash items:		
Depreciation, amortisation expense	671	590
Impairment of Intangible assets	3,474	-
Deferred tax charged/(credited) to income	616	(1,235)
Share of associates loss/(profit)	3,255	5,158
Net foreign exchange (gains)/losses	11	-
Shares and Notes from ENL for Construction Contract	(15,935)	(17,627)
Total non-cash items plus Net Loss after Tax	(17,903)	(20,583)
Add/(less) items classified as investing or financing activities		
(Gain)/loss on disposal of non-current assets	21	-
Depreciation allocated to construction WIP	-	(298)
Movement in capital creditors	-	58
Total items classified as investing or financing activities	21	(240)
Add/(less) movements in working capital items:		
Current Inventories	(2,075)	431
Trade and other receivables and prepayments – current	(26,013)	4,414
Construction contract work in progress – current assets	(18,142)	(17,782)
Deferred CO Receivable – current	(171)	(1,425)
Deferred CO Receivable – non current	(2,892)	(962)
Creditors and other payables	5,137	(1,332)
Construction Contract WIP – non current	209	61
Employee entitlements – current	173	208
Employee Entitlements – non current	16	162
Income tax payable/(receivable)	(2,529)	334
Retentions	-	(144)
Debtors – non current	1660	(4,746)
Net movements in working capital items	(44,627)	(20,781)
Net cash from operating activities	(62,509)	(41,604)

ESL had the following significant non-cash transactions during the 2015 period.
- UFB Network Assets of $2.415m were sold to ENL in exchange for A shares.
- UFB Network Assets of $3.884m were sold to ENL in exchange for B shares.
- UFB Network Assets of $9.636m were sold to ENL in exchange for Senior Notes.
- Deferred CO Receivables $3.063m.

ESL had the following significant non-cash transactions during the 2014 period.

- UFB Network Assets of $3.116m were sold to ENL in exchange for A shares.
- UFB Network Assets of $937k were sold to ENL in exchange for B shares.
- UFB Network Assets of $13.574m were sold to ENL in exchange for Senior Notes.
- Deferred CO Receivables $2.837m.

20. Commitments

Capital commitments

ESL has entered into agreements to build, operate and maintain a UFB network on behalf of ENL as described in note 27. The agreements require ESL to have built the UFB network past 90% of priority premises (business, health, schools and government) by December 2015 with all premises to be passed by December 2019. Upon each stage of the network being completed and subject to that stage satisfactorily passing user acceptance testing ENL will purchase that stage.

The actual number and placement of premises to be built is agreed in detail in the Network Deployment Plan. In addition, the agreements require ESL to connect, on request, any entity within the built UFB network. These connections are to be paid for by ENL at agreed rates. The actual profile and value of the connections is dependent on the actual profile of connections requested on the network.

As at 30 June 2015 the estimated cost of the UFB network including connections, central office construction and other components of the network to December 2021 is $428m (2014: $403m). The total remaining after cash payments at balance date was $247m (2014: $286m) expected cost.

ESL has secured funding from its parent, CCHL, in order to meet the costs of building the network prior to sale to ENL, and its share of the funding obligations to ENL.

ESL has entered into agreements to develop and improve operational and business support systems. As at 30 June 2015 there was nil outstanding on the respective contract (2014: $1.87m).

Lease payments as lessee under operating leases

The future aggregate minimum lease payments to be paid as lessee under operating leases are as follows.

	2015 $000	2014 $000
Not later than one year	468	463
Later than one year and not later than five years	1,139	1,422
Later than five years	-	26
Total non-cancellable operating leases	**1,607**	**1,911**

ESL's premise lease on Wrights Road is for a period of six years with two further rights of renewal for six years.

Lease receipts as lessor under operating leases

The future aggregate minimum lease payments to be collected as lessor under operating leases are as follows.

	2015 $000	2014 $000
Not later than one year	315	411
Later than one year and not later than five years	793	1,025
Later than five years	78	165
Total non-cancellable operating leases	**1,186**	**1,601**

ESL sold its existing fibre network to ENL in February 2012. Prior to that time it had contracted with a number of customers to provide fibre network services with a standard contract period of two years but ranging from 12 months to 10 years. Under the agreement for transfer of the existing fibre network to ENL, ESL will not extend the existing contracts with customers. As ESL contracts with customers reach the end of the contracted period they are transferred to ENL through a Retail Services Provider.

The lease obligations in 2015 reflect remaining customer contracts. These are fulfilled by ESL acquiring UFB service from ENL under a Wholesale Services Agreement which it in turn provides to customers.

21. Contingencies

Contingent liabilities

Liquidated Damages

Under the NIPA, if ESL fails to achieve any milestone to which Liquidated Damages (LDs) apply on or before the applicable milestone date, ENL or CFH will be entitled to claim the LDs applicable to that milestone for each day (or part thereof) that any such milestone is not met.

LDs are potentially payable to ENL on completed network stages. No such demand has been made to date.

Contingent assets

Network Delivery Alliance (NDA)

TSL has lodged a $22.5m performance bond with ESL under the Network Delivery Alliance agreement (2014: $22.5m).

Service Provider

As at 30 June 2015, ESL is in dispute with a service provider on a range of issues relating to delivery of services specified in the contract. Where relevant, expert legal advice has been obtained. In the light of such advice, ESL has concluded that it has a strong case and that an inflow of economic benefits is likely, although the outcome remains uncertain.

22. Related party transactions and key management personnel

Related parties

ESL is 100% owned by CCHL. CCHL is 100% owned by the CCC.

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

During the period, no transactions were entered into by ESL with any of its Directors other than the payment of Directors' fees and the reimbursement of valid ESL-related expenses. Positano Holdings Limited, a company in which Brett Gamble is a director and shareholder, provided professional services totalling $105k of which $43k was owing at balance date (2014: 77k with $18k owing).

Payments made by ESL to its key management personnel including Directors are disclosed below. Key management personnel of ESL did not make any purchases of goods and services from ESL during the period.

CCHL was a party to the ultra-fast broadband contract documents signed with CFH on 31 May 2011 under which it undertakes some of the obligations of ESL and will provide a performance bond for the sum of $45m as at 30 June 2015 (2014: $45m).

ESL is a member of the CCC tax group. The Company pays or receives subvention payments to/from other members of the CCC tax group. The Company received a subvention payment from other members of the CCC tax group of $705k (2014: nil).

ESL has entered into a subordinated loan agreement with CCHL. The loan is unsecured and the interest rate is a base rate plus a 1% margin. At 30 June 2015 the base rate was 4.53% (2014: 4.83%). The line of credit is for $220m of which ESL has drawn down $164.5m to date (2014: $100m). The final repayment date for this loan is March 2023.

The total owed by ENL at 30 June 2015 was $18.234m (2014: $1,705k).

The following transactions were made during the financial year.

Significant transactions with the Parent and related entities (CCHL)

	2015 $000	2014 $000
Issue of equity to CCHL	3,000	6,500
Sales to CCC for services	63	237
Sales to City Care Ltd	-	4
Additional Loan from CCHL	64,500	47,500
Payments to CCC for services	528	385
Subvention Payments to CCC Tax group	705	-
Payments to Orion New Zealand Ltd for services	-	75
Payments to Vbase for services	-	-
Payments to Connetics for services	383	150
Payments to Christchurch International Airport Ltd for services	-	10
Payments to CCHL for interest	7,785	3,596

NOTES TO THE FINANCIAL STATEMENTS (CONT.)
FOR THE YEAR ENDED 30 JUNE 2015

Significant transactions with the associate (ENL)

During 2015, ESL sold UFB assets to its associate of $55.7m (2014: $48.252m).

During the 2015 period, ESL sold fibre network assets to the associate, and received shares in ENL and cash as set out in notes 11 and 14.

At 30 June 2015 ENL owes ESL $16.787m incl GST for Asset Purchases.

ESL has received payment for stages from ENL by way of Senior Notes issued in its favour of $11.636m (2014: $16.441m). These notes are maturing from June 2021. $1,265k of interest was paid and payable in the current year (2014: 357k). The year end amount owing from ENL for interest was $390k (2014: $188k).

In addition, ESL provides support services to the associate under a Management Services Agreement, operations and maintenance services under the NIPA and other minor contract on-charges. ESL charged $8.998m (2014: $7.813m) during the period for these services. At balance date $1.446m (2014: $1.705m excl GST) is outstanding (included within debtors and other accruals), and is receivable under normal commercial terms.

Following sale of the existing fibre network to ENL, ESL purchases UFB product from ENL in order to fulfil its remaining customer contracts. This is a transitional arrangement that will reduce as remaining ESL customer contracts expire. The total UFB product purchased from ENL for the year was $537k (2014: $1.126m) with no balance payable at year end.

ENL on-charged ESL legal services $4k (2014: nil).

ESL transferred all Central Office land titles to ENL. These assets are paid for under the NIPA as a component of each premise passed. At 30 June 2015 ESL has recognised this amount receivable from ENL as a Deferred Purchase Receivable from ENL of $5,450k (2014:$2.387m).

Significant balances with related parties at year end

	2015 $000	2014 $000
Accounts payable to CCC	-	13
Accounts receivable from CCC	11	13
Accounts payable to Orion New Zealand Ltd	-	3
Accounts payable to Connetics	17	-
Accounts payable to ENL	36	78
Accounts receivable from ENL	53,942	23,328
Loan owed to CCHL	164,500	100,000
Accrued Interest to CCHL	1,488	968

Key management personnel compensation

	2015 $000	2014 $000
Short-term employee benefits including Salaries and Directors' fees	2,218	2,229
Termination Benefits	80	-
Other Long Term Employee Benefits	218	260
Total key management personnel compensation	**2,516**	**2,489**

Key management personnel comprise the Directors, Chief Executive, Chief Financial Officer, Programme Director, General Manager Marketing & Sales, General Counsel, General Manager Customer Service, General Manager Network Engineering, Assurance and Performance Manager, Project Director Network Delivery Alliance and General Manager Network Operations.

23. Employee remuneration

Total remuneration over $100,000 paid for the year is as follows.

Remuneration Bands ($000)	2015	2014
100-110	4	4
110-120	2	3
120-130	2	5
130-140	2	1
140-150	4	1
150-160	1	0
160-170	1	2
180-190	0	1
190-200	2	1
200-210	0	1
210-220	0	1
230-240	2	0
270-280	1	0
420-430	0	1
720-730	1	0
Total employees	**22**	**21**

During the year ended 30 June 2015, one employee received compensation and other benefits in relation to cessation (2014: nil).

Chief executive officer's remuneration

The chief executive officer's total remuneration for the year ending 30 June 2015 was as follows:

	Notes	$000
Fixed remuneration		370
Performance Based	1	325
One-off holiday pay effect	2	28
Total		723

Notes:

1. Performance based remuneration includes a short term incentive payment relating to the prior year, and the first payment relating to the long term incentive scheme established in 2012. The chief executive officer achieved 86% of the performance based incentive due to the Company's strong performance against targets during the financial year.
2. Pursuant to the Holidays Act, holiday pay must be paid at the average of an employee's average gross taxable earnings for the previous twelve months.

24. Categories of financial assets and liabilities

The carrying amounts of financial assets and liabilities in each of the NZ IAS 39 categories are as follows.

	2015 $000	2014 $000
Loans and receivables:		
Cash and cash equivalents	1,176	504
Loan to TSL	5,000	5,000
Senior Notes	28,077	16,441
Trade and other receivables	19,309	24,299
Deferred CO Receivable	5,450	2,388
Total loans and receivables	**59,012**	**48,632**
Financial liabilities measured at amortised cost:		
Creditors, other payables and retentions	11,710	6,690
Borrowings from CCHL	164,500	100,000
Total financial liabilities measured at amortised cost	**176,210**	**106,690**

25. Financial instrument risks

ESL's activities expose it to a variety of financial instrument risks, including market risk, credit risk and liquidity risk. ESL 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. Investments of a financial nature can only be transacted with New Zealand major trading banks or in Government securities.

Market 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. ESL's exposure to fair value interest rate risk is with its bank term deposits and senior notes which are held at fixed rates of interest. These are not accounted for at fair value and fluctuations in interest rates do not have an impact on the profit/loss of ESL or the carrying amount of the financial instruments recognised in the statement of financial position.

ESL has assessed the fair value of its Senior Notes Financial Asset as $30.79m using market rates at 30 June 2015. This is $2.7m higher than carrying value of $28.077m (2014: $16.441m). These are within level 2 of the fair value hierarchy.

ESL has assessed the fair value of its Borrowings from CCHL as $173m using market rates at 30 June 2015. This is $8.5m higher than carrying value of $164.5m (2014: $100m). These are within level 2 of the fair value hierarchy.

The remaining assets approximate their carrying value.

The average interest rate on ESL's term deposits is 3.26% (2014: 2.75%).

At 30 June 2015 Senior Notes lending was matched against fixed interest LGFA Bonds. Senior Notes of $11.5m mature in 2021 and the interest rate for the $4.94m maturing in 2023 will be converted into a fixed rate in the August 2014 LGFA tender. The current average interest rate is 6.61% (2014: 6.61%).

ESL has lent TSL $5m (2014: $5.0m). The interest rate on this arrangement is based on the average lending cost from CCHL funding. As at 30 June 2015, the interest rate was 6.5% (2014: 6.5%).

Management has completed a fair value assessment of the carrying value of the TSL loan against the current market and concluded these assets have a fair carrying value.

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, loan to TSL and borrowings (where applicable) at variable interest rates expose the Company to cash flow interest rate risk.

Sensitivity analysis

In managing interest rate risks, ESL aims to reduce the impact of short term fluctuations on the Company's 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.

Sensitivity to interest rate changes	Effect on equity 2015 $000	Effect on equity 2014 $000	Effect on net profit after tax 2015 $000	Effect on net profit after tax 2014 $000
1% increase in interest rates	(1,140)	(680)	(1,140)	(680)
1% decrease in interest rates	1,140	680	1,140	680

The impact of any movement in the foreign exchange rates and cash is insignificant.

Credit risk

Credit risk is the risk that a third party will default on its obligation to the Company, causing the Company to incur a loss.

Credit risk arises for ESL from exposure to counterparties where the Company deposits its surplus cash and from trade and other receivables.

Owing to the timing of its cash inflows and outflows, ESL invests surplus cash with a major registered trading bank (the BNZ). ESL's Treasury Policy limits the amount of credit exposure to any one institution.

ESL's maximum credit exposure for each class of financial instrument is represented by the total carrying amount of cash and cash equivalents (note 8) trade and other receivables (note 9) - Senior Notes and Loan to TSL. There is no collateral held as security against these financial instruments and no instruments are overdue or impaired.

ESL's deposits are currently held with the BNZ, a registered New Zealand bank.

Credit risk exposure to trade receivables	Gross Receivables 2015 $000	Gross Receivables 2014 $000	Impairment 2015 $000	Impairment 2014 $000
Not past due	18,871	2,478	-	-
Past due 1-30 days	299	110	-	-
Past due 31-60 days	85	40	-	35
Past due 61+ days	54	7	-	-
Total trade receivables	**19,309**	**2,635**	**-**	**35**

All receivables have been reviewed and nil (2014: $35k) has been set aside to provide for a doubtful debt. The balance is considered to be fully collectible.

These balances exclude accrued revenue balances of $29.77m (2014: $21.65m), Deferred CO Receivable $5.450m (2014: $2.388m), and Prepayments of $1,868k (2014: $2,339k)

Liquidity risk

Liquidity risk is the risk that ESL will encounter difficulty raising liquid funds to meet commitments as they fall due. ESL's primary mechanism for managing liquidity risk is through issuing shares to CCHL, its parent company, and through borrowing funds from CCHL.

The major liquidity requirement for the Company relates to its obligation to fund ENL in conjunction with CFH. CCHL has guaranteed the provision of funding.

NOTES TO THE FINANCIAL STATEMENTS (CONT.)
FOR THE YEAR ENDED 30 JUNE 2015

Contractual maturity analysis of financial liabilities and assets

The tables below analyse ESL's financial 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.

	Balance Sheet $000	Contractual Cashflows $000	Less than 1 Year $000	Between 1 and 2 Years $000	Between 2 and 5 Years $000	Greater than 5 years $000
2015						
Financial Assets						
Cash and cash equivalents	1,176	1,176	1,176	-	-	-
Senior Notes	28,077	41,450	1,706	1,706	5,118	32,920
Deferred CO Receivable from ENL	5,450	5,450	1,596	1,739	2,115	-
Loan to TSL	5,000	5,975	325	325	5,325	-
Trade and other receivables	49,148	49,148	48,338	810	-	-
Total	**88,851**	**103,199**	**53,141**	**4,580**	**12,558**	**32,920**
Financial Liabilities						
Creditors, other payables and retentions	11,710	11,710	11,710	-	-	-
Borrowings from CCHL	164,500	235,616	9,271	9,271	27,815	189,259
Total	**176,210**	**247,326**	**20,981**	**9,271**	**27,815**	**189,259**

2014						
Financial Assets						
Cash and cash equivalents	504	504	504	-	-	-
Senior Notes	16,441	24,210	1,034	1,034	3,102	19,040
Deferred CO Receivable from ENL	2,387	2,387	1,425	962	-	-
Loan to TSL	5,000	6,300	325	325	5,650	-
Trade and other receivables	24,299	24,299	22,275	2,024	-	-
Total	**48,631**	**57,700**	**25,563**	**4,345**	**8,752**	**19,040**
Financial Liabilities						
Creditors, other payables and retentions	6,690	6,690	6,690	-	-	--
Borrowings from CCHL	100,000	150,977	5,826	5,826	17,478	121,847
Total	**106,690**	**157,667**	**12,516**	**5,826**	**17,478**	**121,847**

26. Capital management

The Company's capital is its equity, which comprises retained earnings and share capital. Equity is represented by net assets. The capital also includes a subordinated loan shown as borrowings.

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

27. Ultra-fast broadband contract with Crown Fibre Holdings Limited

On 31 May 2011 ESL was awarded the government contract to install an open access fibre optic network to every premise in the Greater Christchurch Urban areas, including Christchurch City, Rangiora, Rolleston, Woodend, Kaiapoi, Lincoln and Prebbleton. This is part of a broader Ultra-Fast Broadband (UFB) project contracted by the Crown to provide open access fibre optic network throughout all urban areas in New Zealand.

The UFB contract involves a partnership with CFH which is the Government entity negotiating and administering the contract. The partnership is through a subsidiary entity of CFH, ENL, which both ESL and CFH invest in. The Board of ENL is made up of three delegates each from ESL and CFH plus an independent chair. The percentage of shares and level of voting control held by each entity will change through the lifecycle of the project.

Under the UFB project, ESL takes on an obligation to build the network within eight years which it will sell to ENL upon requirements being meet. The agreement includes a requirement to build to priority users including health, education and business areas by the end of 2015. The expected cost of the build is approximately $428m (2014: $403m) and, in addition to CFH investment, other funding has been arranged with CCHL on a mixture of debt and equity.

As part of the UFB project ESL sold its existing fibre network to ENL in February 2012. The transaction occurred at net book value.

ENL is only able to offer wholesale services on the network and both ENL and ESL are prohibited from providing retail services or to have a related party that is a vertically integrated telecommunications provider.

28. Civil Construction Contract with Transfield Services (New Zealand) Limited

In February 2014 ESL entered into an Alliance with TSL to build the ultra-fast broadband network. The arrangement mirrors many of the obligations placed on ESL in the ultra-fast broadband contract. This construction Alliance is a five year arrangement with a remaining value of approximately $117.6m (2014: $162.6m).

29. Statement of Service Performance (Statement of Intent Reporting)

The Statement of Intent (SoI) issued by ESL last year in respect of the 2014/15 financial year included a number of financial and non-financial performance measures. The following table compares the actual financial results for the year ended 30 June 2015 with the targets contained within the SoI.

	Actual $M	Target $M
Operating Revenue	74.4	58.4
Cost of Sales - Network Build	(55.8)	(49.9)
Cost of Sales - Other	(13.0)	(4.8)
Net Revenue after Cost of Sales	5.62	3.7
EBITDA	0.9	2.4
Net profit/(loss) after tax	(10.0)	(7.6)
Number of premises passed (cumulative)	67,501	63,732
Number of connections (cumulative)	12,295	7,927
Priority connections (cumulative)	2,080	1,900
Schools passed	134	107
Km's built/utility strike	2.5	0.8
Lost time injuries/million hours	5.3	4.0
Serious Harm Injuries	2	0
Site Audits	993	650
Schools accessing UFB	78%	65%
Businesses accessing UFB	12%	24%
Residences accessing UFB	14%	4%
Achieve environmentally friendly design standards	100% ducting underground	>70% ducting underground

Variances between the actual results for the year ended 30 June 2015 and the targets contained within the SoI are as follows.

- Operating Revenue/Cost of Sales Network and Other/Net Revenue after Cost of Sales

  The contract build project had increased sales of completed stages to ENL against last year. Under the UFB contract, the Company sells most of its services at cost to ENL. These SoI targets have been based on UFB Construction Asset sales only. Actual Operating Revenue and Cost of Sales includes Operating and Maintenance, Management Services and Inventory Sales transactions not just UFB sales. Actual UFB Sales for the year were $55.7m which was $2.6m less than target $58.4m. This variance was due to timings of stage sales to ENL which are expected to be sold in the first quarter of the new financial year.

- EBITDA

  EBITDA represents ESL profitability prior to the deduction of net interest, tax, depreciation and amortisation expenses. It also excludes impairment expenses and share of losses in ENL as these are non-cash items. This result represents the underlying profitability of the operational part of the business.

- Net profit/(loss) after tax

  Net Profit After Tax was $2.4m lower than expected due to a $3.4m impairment of an asset, and lower interest income. This was offset by a reduced Share in Loss from Associate compared to target.

- Number of premises passed (cumulative)/Kms built per utility strike

  The Network Delivery Alliance continued to improve its build productivity rate and quality of deployment throughout the year. Improvements in productivity across the build resulting in 15% more premises than targeted being delivered by year end. Kms built per utility strike being well above target is a reflection of the improvements in build quality throughout the year.

- Lost time injuries per million hours/Serious harm injuries/Site audits

  ESL sets very high standards in Health and Safety management – which is reflected in targets of zero serious harm injuries and a target rate for lost time injuries per million hours of 4.0. The much higher than forecast number of site audits was a result of a greater than anticipated build programme combined with a continued emphasis on Health and Safety practice across the business.

- Number of connections/Customers accessing UFB

  ENL's connection target was based primarily on forecast orders from the retail service providers that were in market when the SoI was set. A conservative view on when additional retailers would enter the local market was taken. Vodafone entered the market early in the financial year and other retailers placed a greater emphasis on connecting customers to fibre broadband than anticipated – resulting in much higher connection numbers and more residences accessing UFB than forecast. The percentage of schools accessing UFB was above target as a result of school's service provider, Network for Learning aggressively connecting school. The percentage of businesses accessing UFB was impacted by a greater number of businesses being able to access fibre broadband than was expected.

30. Events after the balance sheet date

There were no significant events after the balance date.

INDEPENDENT AUDITOR'S REPORT

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

To the readers of Enable Services Limited's financial statements and statement of service performance for the year ended 30 June 2015.

The Auditor-General is the auditor of Enable Services Limited (the company). The Auditor-General has appointed me, Julian Tan, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and statement of service performance of the company on her behalf.

Opinion on the financial statements and the performance information

We have audited:

- the financial statements of the company on pages 19 to 58, that comprise the statement of financial position as at 30 June 2015, 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 statement of service performance of the company on pages 57 to 58.

In our opinion:

- the financial statements of the company:
    - present fairly, in all material respects:
        - its financial position as at 30 June 2015; and
        - its financial performance and cash flows for the year then ended; and
    - comply with generally accepted accounting practice in New Zealand and have been prepared in accordance with New Zealand equivalents to International Financial Reporting Standards.
- the statement of service performance of the company presents fairly, in all material respects, the company's achievements measured against the performance targets adopted for the year ended 30 June 2015.

Our audit was completed on 28 August 2015. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities, and explain our independence.

Basis of opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements and the statement of service performance are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' overall understanding of the financial statements and the statement of service performance. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the statement of service performance. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and the statement of service performance, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the company's financial statements and statement of service performance 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 company's internal control.

INDEPENDENT AUDITOR'S REPORT (CONT.)

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Board of Directors;
- the adequacy of the disclosures in the financial statements and statement of service performance; and
- the overall presentation of the financial statements and statement of service performance.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and the performance information. Also, we did not evaluate the security and controls over the electronic publication of the financial statements and statement of service performance.

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

Responsibilities of the Board of Directors

The Board of Directors is responsible for the preparation and fair presentation of financial statements for the company that comply with generally accepted accounting practice in New Zealand. The Board of Directors is also responsible for preparation of the statement of service performance for the company.

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

The Board of Directors is responsible for such internal control as it determines is necessary to enable the preparation of financial statements and statement of service performance that are free from material misstatement, whether due to fraud or error. The Board of Directors is also responsible for the publication of the financial statements and statement of service performance, whether in printed or electronic form.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and statement of service performance and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001.

Independence

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

Other than the audit, we have no relationship with or interests in the company.

Julian Tan

Julian Tan

Audit New Zealand
On behalf of the Auditor-General
Christchurch, New Zealand

STATUTORY INFORMATION

Principal activities

The principal activity of ESL is the development of telecommunications infrastructure in Christchurch.

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 2015.

Director	Directors' Interests
William Luff	**Director of** Luff Trading Limited, Isaac Construction Limited, J Ballantyne Company Limited, Central Plains Water Limited **Trustee of** Christchurch Symphony Orchestra Trust, Woodlands Family Trust, Isaac Wildlife Conservation Trust, The Lighthouse Vision Trust **Member of** Lincoln University Research and Commercialisation Advisory Committee **Advisor to** Simpson Grierson
Mark Bowman (Chairperson)	**Director of** Enable Networks Limited **Director & Shareholder of** Comrad Holdings Limited, Magic Memories Group Holdings Limited, Scarlett Hydraulics Limited **Trustee of** MJ & RM Bowman Family Trust
Brett Gamble	**Director of** Positano Holdings Limited, Enable Networks Limited, Aoraki Services Limited, Aoraki Partners Holdings Limited, Milisa Holding Limited, Chart Noticeboards Limited, C2H Limited, Canterbury Seismic Instruments Limited, Masterguard Fire and Security Limited **Trustee of** Hammersmith Property Trust, Gamble Family Trust **Officer of** Mobile Surgical Services, Mobile Medical Technologies
Charlotte Walshe	**Director of** Cluster Limited, Invacare Holdings Limited, Dynamic Controls Limited, Dynamic Suzhou Holdings NZ **Member of** Callaghan Innovation Stakeholder Advisory Group
Owen Scott	**Director & Shareholder of** Concentrate Limited, Concentrate NZ Limited, Scott Afforestation Limited, AintoG Limited **Director of** Enable Networks Limited **Shareholder of** Elliotvale Afforestation Limited **Trustee of** Madgeo Trust, The New Zealand Hi-Tech Trust
Chris Birkett	**Director of** General Cable New Zealand Ltd, General Cable Superconductors Investments Ltd, General Cable Australia Pty Ltd (Australian Company), General Cable Holdings New Zealand Ltd General Cable New Zealand India Cable 1 Ltd, General Cable New Zealand India Cable 2 Ltd **Trustee of** Birkett (No.2) Family Trust

Donations

No donations were made during the year.

Dividends

No dividends were paid during the year.

DIRECTORY

Shareholders

Christchurch City Holdings Limited

Registered office

Enable House
2nd Floor
106 Wrights Road
Christchurch 8149
New Zealand

Contact address

PO Box 9228
Tower Junction
Christchurch 8149
New Zealand

Web: www.enable.net.nz

Email: admin@enable.net.nz

Phone: + 0800 434 273

Auditor

The Auditor-General pursuant to section 14 of the Public Audit Act 2001 and Section 70 of the Local Government Act 2002. Julian Tan of Audit New Zealand was appointed to perform the audit on behalf of the Auditor-General.

Solicitor

Simpson Grierson
Lane Neave

Banker

BNZ

Enable Services Limited
2015 Annual Report

Fibre Broadband