enable
fibre broadband

Enable Services Limited

Annual Report 2021

Connecting our community with unlimited opportunity

As the kaitiaki of Christchurch's essential connectivity infrastructure, Enable is committed to ensuring that our community enjoys maximum value from fibre broadband.

We will continue to deliver our world-class fibre broadband services to our 132,000 current customers, as well as all future customers, and help them understand the essential role fibre broadband plays in all the things they want to do in the digital world.

We will deliver a strong financial return and additional value to our community by addressing needs such as digital equity and doing all of this in a truly sustainable way.

Contents

Delivering social and financial benefits to Christchurch

We deliver the very best available fibre broadband services to local homes and businesses, and we give back directly to our community through social and financial dividends. Our community benefits from Enable being locally owned and operated in many ways.

This year, we have returned an $18m dividend to Christchurch City and, ultimately, the people of Christchurch – delivering on a 10-year promise made when we began our city-wide fibre broadband network roll-out. This important growth milestone highlights the unique value Enable delivers as a community-owned asset worth more than $700m.

Enable was originally established to ensure Christchurch had greater access to fibre connectivity to accelerate the growth of the city. This vision has now been realised, with most of our community benefiting from our fibre broadband services to do all the things they want online – run businesses, connect with friends and family, teach and learn, access essential services and be entertained.

We are extremely grateful to the people of Christchurch – and our many customers in Waimakariri and Selwyn Districts – for their ongoing support by demanding fibre broadband services from internet providers.

"We know that the world has become so reliant on being digitally connected, whether it's to use services from banking to education; finding a job; the ways families, friends and community groups connect; and even how we access entertainment. If our tenants cannot connect and participate, they will become increasingly isolated and unable to fully participate in society. We are working with Enable to solve this problem."

Cate Kearney, ŌCHT CEO

Participation in the digital world is a human right

Enable is focused on eliminating digital inequity for the people of Christchurch and has announced our first major initiative aimed at doing so.

Enable has partnered with one of the country's leading community housing providers, Ōtautahi Community Housing Trust (ŌCHT) to eliminate digital inequity for ŌCHT housing tenants living in Christchurch through a new 10-year partnership.

Both organisations share the belief that the opportunity to access the internet and participate in the digital world is essential for people to be able to fully participate in modern society.

More than 60% of ŌCHT tenants are not connected to the internet at home. This compares to an estimated 10% of the whole community.

Enable and ŌCHT have worked together for the last year building an understanding of the needs of ŌCHT's tenants and creating a model to address these needs. The model addresses the digital barriers (as articulated in the Digital Inclusion Blueprint) of access (to connectivity and devices), skills, motivation, and trust.

As at year end, Enable was engaged with Government officials as part of an industry consultation to gain the appropriate regulatory approvals to deliver a free maximum speed (close to 1Gbps) wholesale internet service to ŌCHT. ŌCHT is finalising a programme to provide the education and support components of the initiative.

Subject to Government approval, the partners will be rolling out this significant digital equity initiative over the next year.

Our annual review

2021

Chair and CEO introduction

Enable had another strong year in terms of performance, delivering ahead of key financial and connected customer targets. Careful management of the business in the face of the global COVID-19 pandemic and the associated market uncertainty was a critical factor in this success.

The business delivered its first dividend to the Christchurch community ($18m), a year ahead of initial expectations, to support the city and community through these uncertain economic times. This achievement completes a set of key milestones delivered early over the last three years – including the network build being completed 18 months ahead of schedule, having 100,000 customers connected two years early and becoming profitable a year ahead of plan.

Another key milestone achieved this year was our Shareholder, Christchurch City Holdings Limited (CCHL), repaying the loan provided by the Crown under our Ultra-fast Broadband agreement to fund a portion of the core network build. The repayment of this loan has released us from several obligations to the Crown and reinforced our ownership by and focus on the Christchurch community.

Enable continued to grow throughout the year with over 132,000 customers now connected – 80% of our long-term predicted total customers.

This customer-base underpins our ongoing growth in telecommunications revenue. The challenge remains to attract more customers to fibre in the face of increasing competition from alternative technologies. We must defend our customers against misleading marketing relating to inferior technologies and ensure they understand that fibre is best.

The business also pivoted significantly towards leveraging its capabilities, infrastructure and strong financial position to deliver even greater value to our community. We advanced our capability and progress in sustainable business practices (both planet and people) and began a long-term committed investment in social initiatives that are set to produce significant tangible returns to Christchurch.

The Board and Executive would like to thank all the people of Enable for another excellent year in a time of significant uncertainty.

Mark Bowman, Chair

Steve Fuller, CEO

"The Board would like to make a special acknowledgement of retiring Chief Executive, Steve Fuller, for his enormous contribution to Enable and the city of Christchurch over his 14 years in the role. Steve was effectively the first long-term employee and under his leadership Enable has delivered on its purpose of 'connecting our community with unlimited opportunity'. Steve retired on 31 July 2021, and we wish him all the best in his retirement.

"We are also pleased to announce that Johnathan Eele has been appointed as the new Chief Executive and began with Enable on 30 August 2021"

Mark Bowman, Retiring Enable Chair and Justin Murray, Incoming Enable Chair

Fibre broadband — an essential service for most of our community

There are now 132,278 customers enjoying our fibre broadband services across our greater Christchurch coverage area. This represents an increase of 14,588 customers in the year.

Our community continues to choose fibre broadband in significant numbers. Many of our customers understand that a high-quality broadband service is essential and elect to connect to fibre broadband because it's the fastest, most reliable and highest performing broadband available.

The need for fibre broadband and its suitability for all broadband users, has been made clear in the last year through the uncertainty created by the global COVID-19 pandemic. There has never been a greater reliance on broadband services or a greater need to be prepared for future dependency on a home broadband service.

These factors, combined with a lower economic impact from COVID-19 than was predicted a year ago, has driven our strong connections result that means we currently have 72% of the Christchurch fixed broadband market. We continue to be the largest wholesale fixed broadband service provider in our community, and one that is owned by the Christchurch community we serve.

We know that we face an increasing competitive threat from other technologies – copper, HFC, 4G fixed wireless and most recently the first 5G fixed wireless services. In the Christchurch market we have witnessed an increase in marketing activity for fixed wireless services.

Our marketing effort focused on ensuring our community understood the benefits of fibre broadband and had the support they needed to make informed choices. Our Fibre Ambassadors were the face of Enable in our community and they helped almost 5,000 customers make the move to fibre broadband.

We continued to see strong growth in the business market – with over 1,400 new connections reaching a total of 12,831 businesses and schools connected.

132,278
total customers connected

119,447
homes connected

12,831
businesses and schools connected

72%
fixed broadband market share

Exceeding the needs of our customers

Delivering better and better outcomes for new and existing customers is at the heart of everything we do at Enable.

"I was incredibly impressed with the professionalism, communication, efficiency, and clarity of the emails, booking system and even the Enable people who came and completed the job at every stage. Very impressed! Thank you for making a stressful period of not having the internet a breeze with your speed and efficiency."

A customer from Waltham.

"From the time the very polite and professional Enable person came to our door to inform us that we were eligible for fibre to the technicians accessing our house and installing it, I could not have been happier with the politeness and professionalism of all concerned."

A customer from Burnside.

We placed significant focus on redefining who our customers are and ensuring that we are delivering the best outcomes to all customer groups. With this programme we focused on all groups who we serve or deliver value to – including residential and business consumers, developers and our broader Christchurch community. We have established a programme of work to map all of the customer experiences of all these groups and maximise the experience for customers and Enable.

We further defined our customers by whether they are newly connecting or existing. Our newly connected customers, those who experience the most interactions with us through their connection process, continue to enjoy an industry-leading experience as indicated by an average Net Promoter Score (NPS) for the year of 53. This was achieved despite the business dealing with considerably more demand for fibre broadband services than anticipated.

Within our newly connecting customers, we continued to emphasise the need to improve the experience of customers moving into homes and businesses where fibre was previously connected – as we want them to enjoy a particularly quick and easy connection. This group accounted for the majority of our connections in the year and at any given time there are approximately 10,000 properties in our community where fibre is already connected but not being used.

We worked to better understand the experience existing customers get from Enable and have begun to engage more regularly with them to ensure they are enjoying the very best fibre broadband experience.

We are also working to improve all the interactions we have with property developers and other corporate entities, with the aim of providing certainty to these customers in terms of our services and delivery time frames.

Driving towards a zero-carbon community

We have embraced the challenge to move Enable to being a net zero emissions business by 2030, and our carbon reduction programme has been developed with this goal in mind.

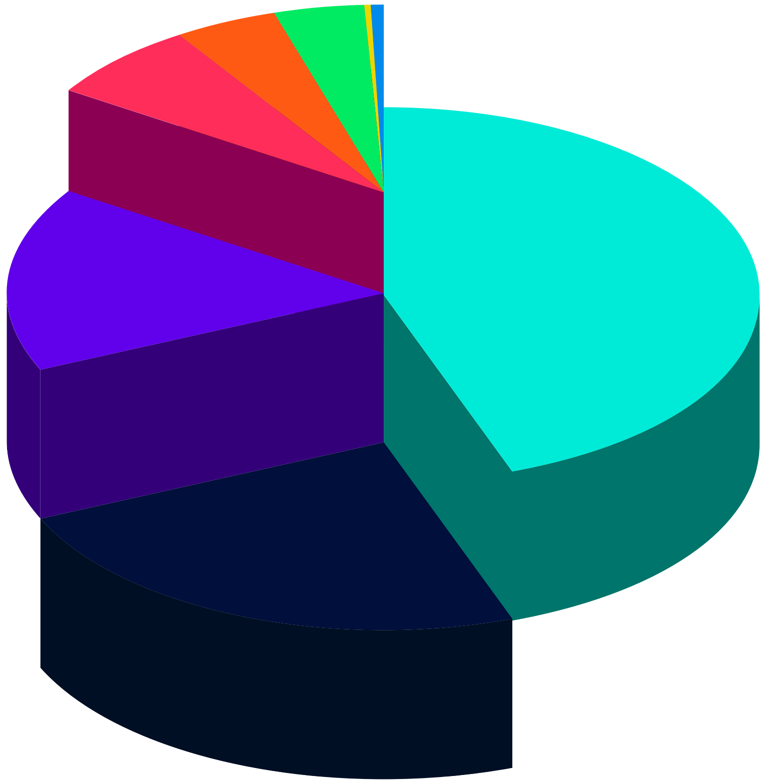
We set operational targets to reduce carbon emissions in areas we could currently measure (including corporate electricity use, business travel and vehicle emissions) with a reduction target of 21% and an operational waste reduction in areas we could measure (including paper, stationery, and food use and waste to landfill) with a target of 15%. We achieved a 50% reduction in carbon emissions and 51% average in waste reduction across the four areas. This provided an excellent basis for improving our business-wide understanding of carbon emissions and waste reduction.

We have now established an audited carbon inventory for the 2020 financial year to be used as our baseline for future improvements. Our 2020 verified emissions baseline for Scope 1, Scope 2 and Scope 3 emissions we directly influence is 319 tonnes of carbon dioxide equivalent (tCO2e). This is based on best practice (the Greenhouse Gas Protocol and ISO14064-1-2018 Greenhouse Gas Emissions standard) and will mean we adopt a standardised view of our emissions and our reduction plans for each scope. We have also begun measuring our wider Scope 3 emissions with 348 tCO2e of contractor fuel and waste emissions captured in our 2020 baseline. We expect our Scope 3 baseline to grow as we include more emission sources and then to reduce as new initiatives are implemented by Enable and our partners.

We introduced our first electric vehicles and finalised plans to convert the whole fleet.

Operational emissions baseline from FY2020 (tCO2e)

- **140** **Central offices (energy)**
- **77** **Business travel**
- **51** **Fleet**
- **22** **Head office (energy)**
- **14** **Electricity T&D losses**
- **13** **Refrigerants (HVAC)**
- **1** **Diesel Generators**
- **1** **Rental Cars**
- **0.3** **Waste to Landfill**



Empowering our people to be their best

Our tremendous people are at the heart of what makes Enable a successful company, delivering all that it does to the people of Christchurch.

We actively work to provide an environment where everyone feels they can fully participate at work and bring their unique perspectives, skills, and experience to drive better outcomes for our community.

The year began with our people continuing to deliver outstanding results in the face of ongoing uncertainty caused by the global COVID-19 pandemic. We partnered with a leader in applying workplace psychology to organisational health, safety and wellbeing to support all our people and their family members to become more resilient during this challenging time. The programme aims to provide people with the skills to stop, reflect and invest in themselves to be more resilient,and it has been very well received across our business.

We are also committed to being an organisation that truly embraces diversity – in gender, gender identity, age, ethnicity, disability, beliefs, sexual orientation, family responsibilities, work style and experience, socioeconomic background, thinking style and personality type. The first important step was to challenge our own perceptions of how well we are doing in that space. We did this by conducting an inclusive culture review that highlighted that Enable people are passionate about our business and community and there is untapped potential in our organisation if we maximise inclusion, belonging and psychological safety across Enable. We are now focused on making any required changes to how we all think and operate when it comes to inclusive behaviour.

Through the year we introduced a new employee benefits programme, which has a particular focus on wellbeing, resilience, and sustainability.

We provided at least the living wage for all direct Enable employees and worked with several of our suppliers to support them to do the same. We conducted a gender-based pay equity review with the outcome being that we do provide pay equity, and we will conduct regular reviews.

Our health and safety vision – "We CARE for each other" – remained at the forefront of how we keep our people, our contractors, and our community safe. We continued to focus on working closely with our contractors to develop excellent health and safety work practices and performance, built on high visibility of areas for improvement and shared outcomes. We exceeded our site audits and safety interactions target of greater than 15% of gross new connections. We recorded 10 incidents – which did not meet our target. We remain focused on working closely with our contractors to improve this result.

Year	2017	2018	2019	2020	2021
Total Recordable incidents	9	6	6	9	10
Total Recordable Injury Frequency Rate*	5.5	3.7	3.5	13.2	15.6
Lost Time Injury Frequency Rate*	2.5	3.2	3.6	4.3	4.65

*Per million hours worked

Creating a new way of working

In May we completed a significant people-focused programme of designing our Future Way of Working – based on implementing fully flexible working arrangements for all our people, providing the systems that will make this successful and establishing new accommodation that supported this new way of working.

An internal team led this project and it involved surveys and interviews of 50 of our people about how they wanted to work, plus visiting several different work and learning spaces in Christchurch. The project culminated in the move into our new purposefully designed office space in the Iwikau building on Cambridge Terrace.

We challenged normal corporate convention by moving away from a traditional open plan office space to activity-based working. This has allowed our people to work in ways that suit them and to collaborate more. It has created a strong sense of common purpose, shared success, and greater connectivity.

Our new office is central to our sustainability goals with its Green Star 4 rating – supporting improved energy and water efficiency, and reduced greenhouse gas emissions. Green Star buildings are also designed to improve the health and wellbeing of people, something we really value at Enable.

Some of the features that support the wellbeing of our people include different types of ergonomic set-ups, a large communal space for gathering, a wellbeing/prayer room and access to excellent end of trip facilities, including secure bike parking.

Delivering greater community value

Having completed our large-scale network build and moving towards completion of our physical network connection programme, we are determined to unleash the full capacity of our business and potential of our technology infrastructure to deliver more social and economic value to our community.

First and foremost, we are acutely aware of the central role our fibre broadband services provide in empowering businesses, families, students, educators, and service providers to connect with each other and the world. This generates enormous value across our community, and we must ensure our network continues to fulfil its role in empowering all these connections by being highly resilient.

We believe that we can leverage our technology expertise and our network infrastructure to deliver even greater value – with a particular focus on addressing digital connectivity gaps and realising opportunities across our community.

We have a vision for full digital equity across Christchurch – which means addressing the digital exclusion faced by up to 10% of our community. We worked closely throughout the year with ŌCHT to establish our partnership that will address this issue for one area in our community. At year end, we were ready with our solution and operating model. We are working with central Government to gain the required regulatory consents to be able to launch early in the new year.

We continued to work with the Ministry of Education to provide a free wholesale fibre broadband service to any school student without access to the internet where there is Enable network infrastructure installed in the home. This service was originally an offer open until 31 December 2020 and has now been extended to 30 September 2021. We see this as the first step in defining an appropriate operating model and solution for permanently addressing the needs of digitally excluded school students in greater Christchurch.

We supported local businesses as a major sponsor of the Canterbury Employers' Chamber of Commerce (The Chamber), and the next generation of leaders in the Future Leaders in Technology events run by the Telecommunications Users Association of New Zealand. Throughout the year we have also supported ten small community-focused clubs and organisations that our people are directly involved in.

Operational excellence with our customers at the heart

With most fixed broadband services in greater Christchurch now delivered over our network, we are moving from being a network builder and connector to an organisation that will delight its customers by meeting and exceeding their needs.

This requires a shift in both thinking and operating for our business. We need to deeply understand every aspect of our network and its performance for our customers in real-time. We need to have the systems that support self-service where appropriate and support our people dealing directly with customers so they can address their needs and deliver additional value quickly and effectively. We are embarking on a significant operational transformation journey as a result and have created an operational excellence programme to drive this journey.

While our fibre and ducting network has a long lifespan, the network technology layer that supports this requires upgrading to allow us to continue developing innovative new services for our community – such as Hyperfibre. With our network technology now over 10 years old, we are embarking on our first major upgrade across our entire network. We are in the final stages of a significant vendor selection process to choose the best fibre broadband infrastructure to serve our community for the next decade. This process is expected to be completed early in the new year.

We also need to ensure that we are operating our core fibre and ducting efficiently to maximise the investment we have made and deliver the best value for our community. We have developed our long-term asset management strategy to do this and are also in the process of selecting our future contract partner to work closely with us to deliver on this strategy.

Our overall service performance continued to be well above contracted service levels (with expectations met 96% of the time) and 99.9966% service availability was achieved across all customer connections.

Committing to providing fibre to more of our community

We are committed to providing fibre broadband connectivity to more homes and businesses in our community. We extended our network to reach more than 2,500 new properties being developed.

We also engaged with Central Government on the Rural Capacity Upgrade Programme to source some support to make it commercially viable for Enable to reach approximately 1,600 homes in our region that are not currently within our fibre broadband coverage area. At year end, we were waiting to hear the outcome of this process.

Financial performance

We delivered an $18m dividend to the people of Christchurch – our first since beginning the ultra-fast broadband roll-out in 2011. The first dividend was paid a year ahead of plan, as we prioritised dividend flows ahead of debt reduction to support our community through the global COVID-19 pandemic.

The dividend was above the $13.5m outlined in our Statement of Intent (SOI), due to operating efficiency and customer growth ahead of plan.

We delivered a net profit after tax of $16m, an increase of $5m on last year, reflecting Enable's larger income base made up primarily of revenue from our wholesale fibre broadband services. The gross telecommunications revenue for the year was $80m, an increase of $12m against the previous year and ahead of our SOI target for the reasons mentioned above.

The value of our total assets has increased by 11% to $739m because of a revaluation of our network infrastructure.

The result again highlights the improved financial maturity of the business as we move towards a focus of operate and maintain, and beyond our significant network growth phase. The overall performance and targeted future performance are in line with the expectations of our shareholder and what would be expected of an infrastructure owner at this stage of its maturity.

18 million dividend

80 million gross telecommunications revenue

16 million net profit

739 million total assets

Building close industry and government relations

Enable continued to work closely with key industry and Government stakeholders to ensure the sector supports ongoing investment and advancement for the long-term benefit of consumers.

We engaged regularly with the Telecommunications Commissioner and the team at the Ministry of Business, Innovation and Employment – particularly in relation to our digital equity goals and plans. We also maintained or built effective working relationships with several other Government agencies with a vested interest in addressing digital equity.

We submitted on key regulatory consultations including Fibre Fixed Line Access Services in the Telecommunications Act 2001, the Fibre Input Methodologies that underpin application of the Act and the Commerce Commission's Draft Determination of Information Disclosure.

Enable held a position on the Board of the New Zealand Telecommunications Forum Inc (TCF) as a Tier Two Industry Representative and continued to contribute to several key TCF working parties, programmes of work and industry codes. The key work streams included the Copper Withdrawal, 111 Contact and Fibre Installation Codes.

We also continue to participate in several industry and local business-related forums and bodies – including the Canterbury Tech Cluster, the Chamber, and the Telecommunications User Association of New Zealand.

We continue to be an active voice across the industry to support the growth, and to ensure the interests of the Christchurch community and its investment in Enable are protected.

The year ahead — delivering greater value to our community

We will continue to grow our core business by focusing on supporting more people in our community to switch to fibre broadband and by ensuring our existing customers truly understand and value what fibre broadband brings to their lives.

We will also focus on managing our business with the utmost efficiency to deliver maximum financial returns to our community, while also investing to deliver greater social and economic value through a series of new solutions and programmes of work.

01 .

We will value our customers above all and delight them in all that we do

We are targeting 144,000 total customers connected equating to almost 75% of the local fixed broadband connections.

We still have a job to do in helping many people in our community make the switch to fibre broadband – and this means either supporting them to get connected quickly and easily or helping them to understand the value fibre broadband will provide to them. We also need to provide greater support for our existing fibre customers to ensure they are getting the very best fibre broadband experience and that they fully understand the value to them and their community in remaining with fibre broadband.

We will advocate for all Christchurch consumers by challenging misinformation and ensuring our community is well informed about the best communications option to meet their immediate and future needs, we will also introduce exciting new products – such as Hyperfibre – which will meet future needs.

We also want to continue to reach more potential fibre broadband customers – whether that's when they move into newly built homes or by increasing the number of homes our network reaches in a commercially sustainable manner.

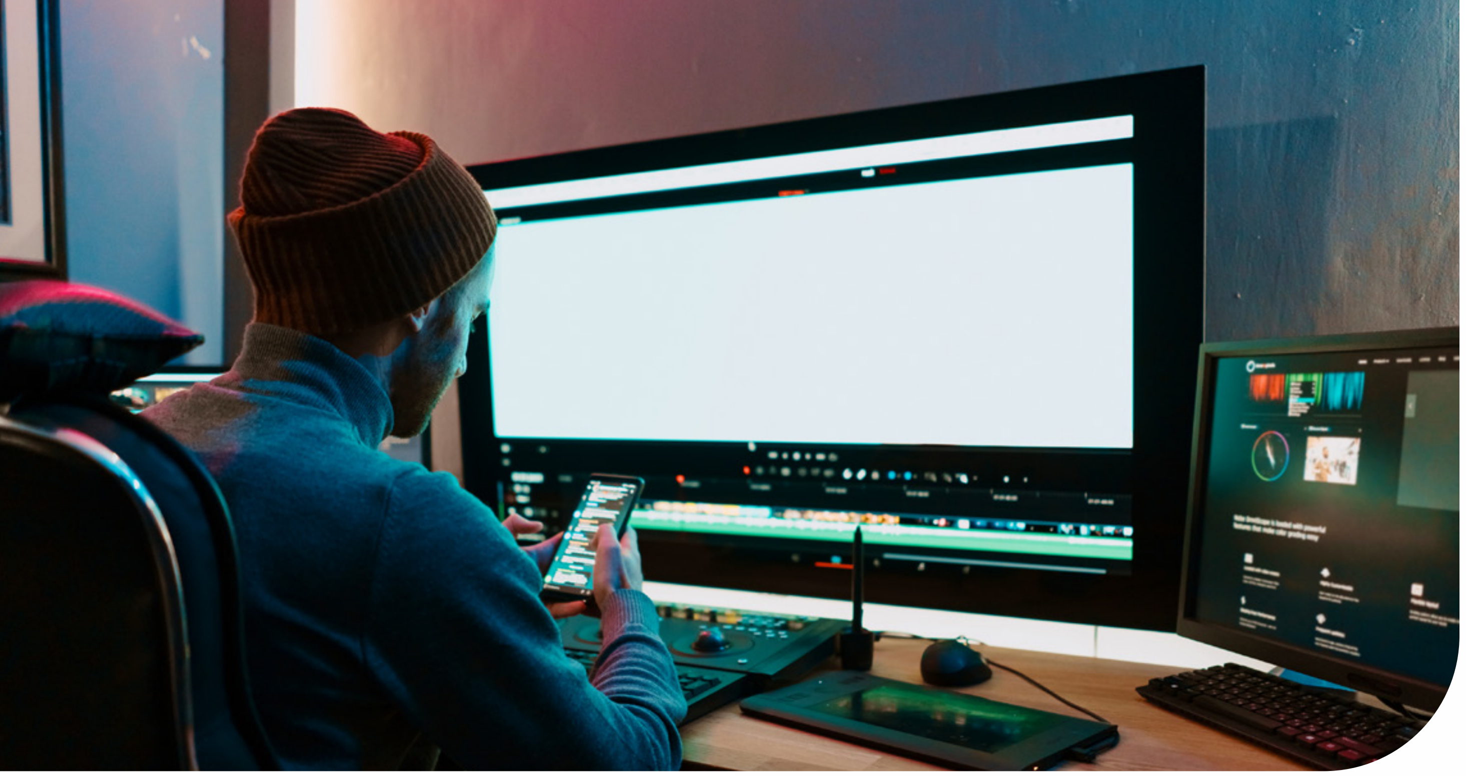
We will ensure that we are providing the very best service in every type of interaction we have with potential and current customers.

02 .

We will deliver greater social and economic value to our community through innovative new solutions

We have laid the foundations for our first major community intervention to address digital inequity in our partnership with ŌCHT. This year we will deliver on the partnership by addressing the digital access, skills, motivation, and trust barriers for ŌCHT tenants so they can benefit from the digital world. We will work closely with our partners in this initiative to ensure that the tangible economic and social benefits will be realised across our community. We will also continue to explore the appropriate partnership models for addressing digital equity barriers for other groups.

We will focus on other partnerships to deliver additional economic value to our community – most notably by partnering with the Christchurch City Council to deliver a world-class free city Wi-Fi solution that will enhance the attraction of Christchurch for locals, visitors, and major events.



03 .

We will build on our first dividend with greater financial returns

We will grow our dividend returns through our business growth, operational efficiency and by prioritising these returns as our community continues to deal with impacts of the COVID-19 pandemic. We are targeting a $20m dividend in the coming financial year.

We will grow telecommunications revenue to $90m and plan to deliver a net profit of $22m. This growth will be driven through more new fibre broadband, retention of our existing customers and by identifying and realising new revenue opportunities.

We will also continue to explore new revenue opportunities that leverage our core infrastructure, and commercial and technical expertise – and provide the opportunity to diversify our commercial offerings.

Our continued investment in automation, systems and business process improvement will ensure that we always operate our business extremely efficiently – delivering on both our financial and customer goals.

04 .

We will protect and enhance our community through sustainable business practices

We will finalise our strategy and plan for achieving net zero carbon emissions by 2030, which will include our roadmap towards maximum efficiency and our offset strategy for residual emissions. We will continue to drive down our direct operations (scope 1) and purchased electricity (scope 2) emissions and expand our sustainability goals to our partners and suppliers to reduce indirect (scope 3) emissions. Our draft roadmap will reduce our emissions by close to two-thirds in the next five years, with the remainder requiring appropriate offsets.

Through our people strategy we will invest in creating a highly inclusive workplace by retaining and attracting a diverse workforce, so we are best equipped to address our future business challenges and the needs of our community. We will enhance our working environment to support our people (including our contractors) to be their very best and to continue ensuring they are safe and well – physically and psychologically.

Bringing Hyperfibre to Christchurch CBD

This next generation of fibre technology is coming soon to Christchurch's Central Business District to support the ongoing growth of the city.

Hyperfibre – with some of the fastest broadband speeds available anywhere in the world – will be one ingredient that makes our city a great place to live. It is set to be the essential broadband service of the future – particularly with its astronomical symmetrical (download and upload) speeds of up to eight gigabits per second (8Gbps).

Enable is investing in this future now and will roll-out Hyperfibre across our entire network over two years.

Hyperfibre will meet the growing needs for greater upload speeds – which are critically important in areas like telehealth, remote working, and distance learning, not to mention for technology and digital businesses looking to reach global markets. It is going to be exciting to see what the likes of businesses, avid gamers and school students, our leaders of tomorrow, can do with Hyperfibre.

Board of Directors

Mark Bowman - Retiring Chair

Mark 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 and industrial sectors. Prior to his governance roles, Mark held senior executive roles with Navman, HP and Hitachi. Mark joined the Enable Board of Directors in November 2011. He held the position of Chair in 2016 and 2017 and was reappointed Chair on 1 January 2019. Mark has stepped down as Chair of Enable, effective 30 June 2021, and will retire as a director effective October 2021.

Justin Murray - Incoming Chair

Justin is an experienced Director and investment banker. He is Executive Chairman of Murray & Co, Chair of Christ Church Cathedral Reinstatement and has held a range of previous governance roles, including ten years as a Director of Christchurch Airport. Initially a corporate lawyer, his banking career began with Rothschild in London and he was also a Managing Director with Bear Stearns before returning to New Zealand in 2004 and founding Murray & Co. Justin joined the Enable Board in August 2020 and has been appointed Chair of Enable effective from 1 July 2021.

Craig Elliott

Craig has thirty years of experience in Silicon Valley as an international technology executive focusing on networking and communications. Craig spent ten years at Apple Computers in a variety of executive positions in their networking and communications divisions. He then founded and was CEO of Packeteer, the company that developed deep packet inspection and application-based networking. He also founded Pertino, which built the first cloud based, global business network. He also served as CEO. Craig is currently an independent consultant working with companies to develop their technical and global expansion strategies. Craig joined the Enable Board in October 2017.

Kathy Meads

Kathy is a professional independent director. She has extensive governance, commercial and financial experience across a broad range of business sectors and has held senior executive positions with Telecom/ConnecTel, Ngai Tahu Holdings Corporation and Lyttelton Port of Christchurch. Kathy is a director of Port Taranaki, Magic Memories Group Holdings, NZPM Group, Shipowners Mutual Protection and Indemnity Association (Luxembourg), and Transpower New Zealand.

Kathy holds a Bachelor of Commerce from the University of Canterbury. She is a Member of the Institute of Directors in New Zealand and a Fellow Chartered Accountant of Chartered Accountants Australia and New Zealand. Kathy joined the Enable Board in August 2017.

Scott Weenink

Scott has broad governance experience including Executive and Board Director roles with telecommunications and airport companies in New Zealand, Asia and the Middle East. Scott's current Board Director roles include Chair positions with Generate KiwiSaver Funds Management, Asset Finance Limited and the New Zealand Cricket Players Association. Scott has a master's degree in Law from Oxford University and joined the Enable Board in December 2018.

Mark Petrie

Mark has twenty years' experience as a Director specialising in the communications and broader technology sectors. Mark has led the establishment and growth of numerous start-up businesses and currently holds several board roles – including CommArc, De Novo Partners and DARC Energy.

Mark was the founder and CEO of internet provider Snap and led the integration of its national and international fibre communications business with 2degrees, which laid the foundations for 2degrees' becoming one of the largest full-service communications providers in New Zealand. Mark has extensive experience in all facets of leading a communications business – including financial management; market strategy development and implementation; network design, build and maintenance; technology innovation; and regulatory compliance. Mark joined the Enable Board in June 2019.

Governance

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

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

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

GOVERNING DOCUMENTS

The obligations of ENL, ESL and CIP in creating and managing the network were governed by the Network Infrastructure Project Agreement until 31 May 2021.

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

BOARD ROLE AND RESPONSIBILITIES

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

BOARD STRUCTURE AND APPOINTMENT

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

BOARD SUB-COMMITTEES

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

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

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

MANAGEMENT SERVICES AGREEMENT

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

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

Financial statements for the year ended 30 June 2021

Contents

Statement of responsibility

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

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

In the Board's opinion, the financial statements fairly reflect the financial position and operations of Enable Services Limited for the year ended 30 June 2021.

Signed on behalf of the Board

Mark Bowman
Chair
27 August 2021

Kathy Meads
Chair of Audit and Risk Committee
27 August 2021

Statement of comprehensive income

For the year ended 30 June 2021

	Note	Group 2021 $'000	Group 2020 $'000
Operating revenue	5(a)	84,433	76,985
Other income	5b	-	6
Total revenue and gains		**84,433**	**76,991**
Operating expenses	6	(23,297)	(24,406)
Earnings before interest, tax, depreciation and amortisation		**61,136**	**52,585**
Depreciation and amortisation	7	(25,230)	(24,186)
Earnings before interest and tax		**35,906**	**28,399**
Finance income	8	204	81
Finance costs	8	(13,270)	(13,499)
Net finance costs		**(13,066)**	**(13,418)**
Profit before income tax		**22,840**	**14,981**
Income tax expense	9	(7,019)	(3,661)
Profit for the year		**15,821**	**11,320**
Other comprehensive income			
Items that will not be recycled to profit or loss:			
Revaluation of assets	3	67,036	92,256
Income tax relating to other comprehensive income		(18,770)	(25,832)
Other comprehensive income for the year, net of tax		48,266	66,424
Total comprehensive income for the year, net of tax		**64,087**	**77,744**

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

Statement of financial position

As at 30 June 2021

	Note	Group 2021 $'000	Group 2020 $'000
Current assets			
Cash and cash equivalents	11	6,300	5,974
Trade and other receivables	12	2,268	1,924
Other financial assets	13	6,000	10,000
Inventories	14	1,891	2,066
Current tax asset	9 (c)	-	1,716
Total current assets		**16,459**	**21,680**
Non-current assets			
Property, plant and equipment	3	702,886	625,880
Construction contract work in progress	15	6,355	5,143
Right of use assets	19(a)	4,259	427
Intangible assets	16	9,372	10,617
Total non-current assets		**722,872**	**642,067**
Total assets		**739,331**	**633,747**
Current liabilities			
Creditors and other liabilities	17	8,720	9,325
Employee entitlements	18	1,618	1,069
Current tax liabilities	9(c)	2,393	–
Lease liabilities for right of use assets	19	95	409
Deferred revenue	20	61	61
Total current liabilities		**12,887**	**10,864**
Non-current liabilities			
Borrowings	4	294,400	294,400
Lease liabilities for right of use assets	19	4,272	54
Deferred tax liability	9 (d)	70,088	46,722
Deferred revenue	20	274	384
Total non-current liabilities		**369,034**	**341,560**
Total liabilities		**381,921**	**352,424**
Net assets		**357,410**	**311,323**
Equity			
Share capital	21	227,293	227,293
Retained earnings		(9,427)	(7,248)
Revaluation reserve	3	139,544	91,278
Total equity		**357,410**	**311,323**

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

Statement of changes in equity

For the year ended 30 June 2021

	Note	Share capital $'000	Revaluation reserve $'000	Retained earnings $'000	Total $'000
Balance as at 1 July 2019		**221,702**	**24,854**	**(18,568)**	**227,988**
Profit for the year		–	–	11,320	11,320
Revaluation of P, P&E	3	–	66,424	–	66,424
Issue of redeemable preference shares	21	5,591	–	–	5,591
Balance as at 30 June 2020		**227,293**	**91,278**	**(7,248)**	**311,323**
Profit for the year		–	–	15,821	15,821
Revaluation of P, P&E	3	–	48,266	–	48,266
Dividends paid		–	–	(18,000)	(18,000)
Balance as at 30 June 2021		**227,293**	**139,554**	**(9,427)**	**357,410**

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

Statement of cash flows

For the year ended 30 June 2021

	Note	Group 2021 $'000	Group 2020 $'000
Cash flows from operating activities			
Receipts from customers and other sources		84,513	76,264
Interest received		239	44
Payments to suppliers and employees		(23,747)	(26,662)
Interest and other finance costs paid		(13,310)	(13,475)
Tax subvention receipts	22	1,686	2,300
Net cash provided by operating activities	**23**	**49,381**	**38,471**
Cash flows from investing activities			
Payment for property, plant and equipment		(32,453)	(29,113)
Proceeds from sale of property, plant and equipment		–	6
Payment for intangible assets		(2037)	(3,196)
Payment for investments into bank deposits	13	(24,000)	(10,000)
Proceeds from bank deposits maturing		28,000	–
Net cash used in investing activities		**(30,490)**	**(42,303)**
Cash flows from financing activities			
Proceeds from borrowing	22	–	3,000
Proceeds from issue of shares	22	–	5,591
Repayment of lease liabilities	19	(565)	(726)
Dividends paid		(18,000)	
Net cash provided by financing activities		**(18,565)**	**7,865**
Net increase in cash and cash equivalents		326	4,033
Cash and cash equivalents at beginning of year		5,974	1,941
Cash and cash equivalents at end of year	**11**	**6,300**	**5,974**

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

Notes to the financial statements

For the year ended 30 June 2021

1. Statement of accounting policies

Reporting entity

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

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

Statement of compliance

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

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

These financial statements were approved by the Board of Directors on 27 August 2021.

Basis of preparation

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

Functional and presentation currency

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

Accounting policies

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

	Note		Note
Property, plant & equipment	3	Borrowings	4
Operating revenue and other income	5	Finance income and costs	8
Income taxes	9	Cash and cash equivalents	11
Trade and other receivables	12	Inventories	14
Intangible assets	16	Creditors and other liabilities	17
Leases	19	Deferred revenue	20
Share capital	21		

Impact of COVID-19

The group assess that COVID-19 had a minimal impact on the group's operational results for the years ended 30 June 2020 and 30 June 2021, as the lockdown restrictions implemented in late March 2020 remained in place for a relatively short period.

New accounting standards and interpretations

The Group changed its accounting policies following the adoption of NZ IFRS 16 in the year ended 30 June 2020.. No other new accounting standards or interpretations that became effective for the period had a material impact on the Company.

Notes to the financial statements

For the year ended 30 June 2021

Changes in accounting policies and disclosures

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

2. Critical judgements, estimates and assumptions

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

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

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

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

Key assets and liabilities

3. Property, plant & equipment

	UFB network Layer 1 $'000	UFB network Layer 2 $'000	Central offices $'000	UFB network Total $'000	Other plant and equip-ment $'000	Total $'000
Gross carrying amount						
Cost/valuation at 1 July 2019	480,784	42,427	11,601	534,812	1,920	536,732
Additions	33,158	3,802	90	37,050	375	37,425
Disposals	–	–	–	–	(83)	(83)
Revaluation adjustment	62,637	(10,930)	1,432	53,139	–	53,139
Cost/valuation at 30 June 2020	**576,579**	**35,299**	**13,123**	**625,001**	**2,212**	**627,213**
Additions	26,823	1,172	957	28,952	2,621	31,573
Disposals	–	–	–	–	(488)	(488)
Revaluation adjustments	48,678	(3,765)	1,134	46,047	–	46,047
Cost/valuation at 30 June 2021	**652,080**	**32,706**	**15,214**	**700,000**	**4,345**	**704,345**
Accumulated depreciation and impairment						
Accumulated balance at 1 July 2019	(10,605)	(7,651)	(242)	(18,498)	(1,104)	(19,602)
Depreciation expense	(11,846)	(8,510)	(263)	(20,619)	(310)	(20,929)
Disposals	–	–	–	–	81	81
Written back on revaluation adjustment	22,451	16,161	505	39,117	–	39,117
Accumulated balance at 30 June 2020	–	–	–	–	**(1,333)**	**(1,333)**
Depreciation expense	(13,755)	(6,911)	(323)	(20,989)	(334)	(21,323)
Disposals	–	–	–	–	208	208
Written back on revaluation adjustment	13,755	6,911	323	20,989	–	20,989
Accumulated balance at 30 June 2021	–	–	–	–	**(1,459)**	**(1,459)**
Carrying amount at 30 June 2020	576,579	35,299	13,123	625,001	879	625,880
Carrying amount at 30 June 2021	**652,080**	**32,706**	**15,214**	**700,000**	**2,886**	**702,886**

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

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

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

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

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

Recognised fair value measurements

The UFB network Layer 1 and 2 assets, together with the Central Offices (collectively described as UFB network assets) were revalued to fair value as at 30 June 2021 based on a range provided by independent valuers Deloitte. Deloitte are considered to have the appropriate qualifications and experience in the fair value measurement of such assets.

Deloitte considered that the discounted cash flow (DCF) methodology was the most appropriate method of valuation, given that:
- long term cash flow forecasts were available
- there is a reasonable degree of predictability around the cash flows
- a potential buyer of these assets would primarily be interested in the future economic benefits they could generate.

The DCF methodology involved assessing:
- the future free cash flows of the business (excluding future expansionary capital expenditure and related revenue)
- a 50 year cash flow forecast capturing future capital expenditure versus depreciation and the expected useful life of the existing asset base
- discounting the cash flows using a discount rate based on weighted average cost of capital (WACC)
- whether there were any surplus assets.

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

The estimated value of UFB network is **$700m.**

The sensitivity of the valuation of $700m to relevant factors is summarised below:

Movement in	Range	Lower Value	Upper Value
Long run uptake %	+ or – 10.0%	$604m	$796m
Average revenue per user	+ or – .5%	$659m	$745m
WACC	+ or – .5%	$653m	$752m

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

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

UFB network assets	Group 2021 $'000	Group 2020 $'000
Cost	596,907	567,955
Accumulated depreciation	(89,023)	(69,574)
Net book value	**507,884**	**498,381**

Useful lives and residual values of UFB network assets

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

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

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

Change in estimate

No changes in estimate were made during the 2021 financial year.

Accounting policy – property, plant and equipment

Property, plant and equipment asset classes consist of the UFB network assets, being Layer 1 (relating to the provision of unlit optical fibre), Layer 2 (relating to the provision of communication equipment on the unlit fibre), and Central Offices (buildings which contains Layer 2 assets, with fire protection, security and backup generator assets).

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

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

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

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

Additions

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

Disposals

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

Subsequent costs

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

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

Depreciation

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

Key assets and liabilities

Layer 1 (Provision of unlit optical fibre)	20 – 50 years
Layer 2 (Ethernet communication equipment)	5 – 12 years
Central Offices	5 – 50 years
Property, plant and equipment	1 – 25 years
Right of use assets	1 – 10 years
Land is not depreciated	

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

Impairment of non-financial assets

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

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

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

4. Borrowings

	Note	Group 2021 $'000	Group 2020 $'000
Loan from CCHL	22	294,400	294,400
		294,400	**294,400**

The Group has a loan agreement with CCHL. The loan is unsecured and the interest rate is a base rate reflecting CCHL's cost of borrowing plus a 0.2% margin. At 30 June 2021 the weighted average interest rate was 3.7% (2020: 4.5%).

The line of credit under the loan agreement is available to the Group until March 2031 and totals $310m (2020: $300m).

Accounting policy – borrowings

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

Amounts which may be required to be settled within 12 months are presented as current liabilities, and the remainder is presented as non-current liabilities.

Profit and loss information

5. Operating revenue and other income

5 (a). Operating revenue

	Note	Group 2021 $'000	Group 2020 $'000
Gross telecommunications revenue	(i)	79,968	67,729
Sale of inventory		2,138	2,000
Other		2,327	7,256
		84,433	**76,985**

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

5 (b). Other income

	Group 2021 $'000	Group 2020 $'000
Gains on disposal of property, plant and equipment	–	6
	–	6

Accounting policy – revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable.

The Group recognises revenue as it provides services to its customers. Billings are generally made on a monthly basis. Unbilled revenues from the billing cycle date to the end of each month are recognised as revenue during the month the service is provided. Revenue is deferred in respect of the portion of fixed monthly charges that have been billed in advance. Revenue from installations and connections is recognised upon completion of the installation or connection.

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

6. Operating expenses

	Note	Group 2021 $'000	Group 2020 $'000
Audit fees	6 (a)	197	153
Directors' fees		345	362
Net foreign exchange losses/(gains)		3	10
Losses on disposal of property, plant and equipment		251	–
Employee costs	6 (b)	6,658	6,075
Other		15,843	17,806
		23,297	**24,406**

Profit and loss information

6 (a). Remuneration of auditors

	Note	Group 2021 $'000	Group 2020 $'000
Audit New Zealand			
Audit of the financial statements		142	136
Regulatory audit work		22	16
Total		**164**	**152**
Other auditor – KPMG			
Assurance-related		33	1
Total auditor remuneration		**197**	**153**

6 (b). Employee costs

	Note	Group 2021 $'000	Group 2020 $'000
Employee costs			
Salaries and wages		12,154	13,575
Less capitalised salaries and wages		(6,375)	(6,901)
Net salaries and wages		5,779	6,674
Defined contribution plan employer contributions		330	371
Increase/(decrease) in employee entitlements/liabilities		549	(970)
Total employee costs	**6**	**6,658**	**6,075**

In 2020 the CEO and Executive Team decided not to accept short-term incentive payments as a one-off response to COVID-19 and the possible economic impact on our community.

7. Depreciation, amortisation and impairment

	Note	Group 2021 $'000	Group 2020 $'000
Depreciation of non-current assets	3	21,323	20,929
Amortisation of intangible assets	16	3,282	2,495
Depreciation of right of use assets	19(a)	625	762
		25,230	**24,186**

Profit and loss information

8. Finance income and costs

	Note	Group 2021 $'000	Group 2020 $'000
Finance income			
Interest – bank		204	76
Interest – other		–	5
		204	**81**
Financing costs			
Interest paid/payable to CCHL	22	13,259	13,463
Interest on lease liabilities	19	11	36
		13,270	**13,499**

Accounting policy – finance income and costs

Finance income
Interest income is recognised using the effective interest method.

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

9. Income taxes

9 (a). Components of tax expense

	Group 2021 $'000	Group 2020 $'000
Current income tax charge/(credit)	2,393	(1,716)
Adjustments to current tax of prior years	30	(300)
Deferred tax expense	4,596	5,677
Total income tax expense	**7,019**	**3,661**

9 (b). Reconciliation of prima facie income tax

	Group 2021 $'000	Group 2020 $'000
Profit before tax	22,840	14,981
Tax at statutory rate of 28%	6,395	4,195
Under/(over) provision of income tax in previous year	624	(534)
Income tax credit	**7,019**	**3,661**

9 (c). Current tax (liabilities)/asset

	Group 2021 $'000	Group 2020 $'000
Opening balance	1,716	2,000
Tax (liability)/asset for the year	(2,423)	2,016
Tax subvention receipts	(1,686)	(2,300)
Closing balance	**(2,393)**	**1,716**

9 (d). Deferred taxation

	30 June 2020				30 June 2021		
	Opening balance $'000	Profit/ loss $'000	Other comprehensive income $'000	Closing balance $'000	Profit/ loss $'000	Other comprehensive income $'000	Closing balance $'000
Deferred tax liabilities:							
Property, plant and equipment	22,951	981	25,832	49,764	2,976	18,770	71,510
	22,951	**981**	**25,832**	**49,764**	**2,976**	**18,770**	**71,510**
Deferred tax assets:							
Provisions/employee entitlements	153	48	–	201	(18)	–	183
Doubtful debts and impairment losses	11	17	–	28	(12)	–	16
Tax losses	7,574	(4,761)	–	2,813	(2,813)	–	–
Other				–	1,223	–	1,223
	7,738	**(4,696)**	**–**	**3,042**	**(1,620)**	**–**	**1,422**
Net deferred tax liability	**15,213**	**5,677**	**25,832**	**46,722**	**4,596**	**18,770**	**70,088**

The Group is a member of the CCC tax group, which comprises CCC, CCHL and a number of other group entities. The Group pays or receives subvention payments to/from other members of the CCC tax group. The amount recognised as a receivable for the 2021 tax year is Nil (2020: $1.7m), in relation to the tax effect of tax losses transferred. The Group received a subvention payment from other members of the CCC tax group of $1.7m (2020: $2.3m).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.

9 (e). Imputation credits

The amount of imputation credits available for use in subsequent reporting periods by the Group is Nil (2020: $485k).

Accounting policy – income tax

Income tax expense includes current tax and deferred tax.

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

The tax currently payable is based on taxable profit for the reporting period. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

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

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

Financial risk management

10. Financial risk management

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

10 (a). Liquidity risk

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

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

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

Contractual maturity analysis of financial assets and financial liabilities

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

	Balance sheet $'000	Contractual cash flows $'000	Less than 1 year $'000	1-2 years $'000	2-5 years $'000	5 years + $'000
30 June 2021						
Cash, cash equivalents and deposits	12,300	12,300	12,300	–	–	–
Trade and other receivables	1,776	1,776	1,776	–	–	–
Creditors and other payables	(7,928)	(7,928)	(7,928)	–	–	–
Lease liabilities for right of use assets	(4,367)	(5,303)	(115)	(597)	(1,751)	(2,840)
Borrowings from CCHL	(294,400)	(401,910)	(10,751)	(10,751)	(32,253)	(348,155)
	(292,619)	**(401,065)**	**(4,718)**	**(11,348)**	**(34,004)**	**(350,995)**
30 June 2020						
Cash, cash equivalents and deposits	15,974	15,974	15,974	–	–	–
Trade and other receivables	1,464	1,464	1,464	–	–	–
Creditors and other payables	(9,023)	(9,023)	(9,023)	–	–	–
Borrowings from CCHL	(294,400)	(334,892)	(71,618)	(8,715)	(46,589)	(207,970)
	(285,985)	**(326,477)**	**(63,203)**	**(8,715)**	**(46,589)**	**(207,970)**

10 (b). Interest rate risk

Fair value interest rate risk

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

Cash flow interest rate risk

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

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

Sensitivity analysis

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

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

	Effect on equity Group 2021 $'000	Effect on equity Group 2020 $'000	Effect on profit Group 2021 $'000	Effect on profit Group 2020 $'000
1% increase in interest rates	(2,847)	(1,657)	(2,847)	(1,657)
1% decrease in interest rates	2,847	1,657	2,847	1,657

Financial risk management

10 (c). Credit risk

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

The Group invests surplus cash with major registered trading banks and limits exposure to any one institution.

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

Ageing of receivables

	Note	Group 2021 $'000	Group 2020 $'000
Gross receivables			
Not past due		1,522	1,354
Past due 0-30 days		211	98
Past due 31-60 days		85	26
Past due more than 60 days		15	51
	12	**1,833**	**1,529**
Impairment			
Not past due		–	(17)
Past due 0-30 days		–	(15)
Past due 31-60 days		(3)	(18)
Past due more than 60 days		(55)	(51)
	12	**(58)**	**(101)**
Gross trade receivables		1,833	1,529
Individual impairment		–	–
Collective impairment		(58)	(101)
Trade receivables (net)		**1,775**	**1,428**

The Group maintains a provision for impairment losses when there is objective evidence of its customers being unable to make required payments and makes provision for doubtful debt where debt is more than 90 days overdue. There have been no significant individual impairment amounts recognised as an expense. Trade receivables are net of disputed balances with customers.

Other assets and liabilities

11. Cash and cash equivalents

	Group 2021 $'000	Group 2020 $'000
Cash balances	6,300	5,974
	6,300	**5,974**

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

Accounting policy – cash and cash equivalents

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

12. Trade and other receivables

	Note	Group 2021 $'000	Group 2020 $'000
Current			
Trade receivables		1,817	1,521
Related party receivables	22	16	8
	10 (c)	1,833	1,529
Prepayments		492	460
Interest receivable		1	36
		2,326	**2,025**
Provision for impairment – trade receivables	10 (c)	(58)	(101)
Total trade debtors, other receivables and prepayments		**2,268**	**1,924**

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

Accounting policy – trade and other receivables

Trade and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Impairment of a receivable is established when there is objective evidence that the Group will not be able to collect amounts due according to the original terms of the receivable.

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

Other assets and liabilities

13. Other financial assets

	Group 2021 $'000	Group 2020 $'000
Current		
Bank deposits with maturities of 4 to 12 months	6,000	10,000
	6,000	**10,000**

14. Inventories

	Group 2021 $'000	Group 2020 $'000
Current		
Inventory	1,891	2,066
	1,891	**2,066**

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

Accounting policy – inventories

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

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

15. Construction contract work in progress

	Group 2021 $'000	Group 2020 $'000
Current		
Opening balance	5,143	12,604
Additions	30,164	29,589
Transferred to property, plant and equipment	(28,952)	(37,050)
Total construction contract work in progress	**6,355**	**5,143**

16. Intangible assets

	Goodwill $'000	Software $'000	Work in progress $'000	Total $'000
Gross carrying amount				
Cost/valuation at 1 July 2019	848	10,024	2,005	12,877
Additions	–	–	3,196	3,196
Transfers	–	3,652	(3,652)	–
Cost/valuation at 30 June 2020	**848**	**13,676**	**1,549**	**16,073**
Additions	–	–	2,037	2,037
Transfers	–	2,944	(2,944)	–
Cost/valuation at 30 June 2021	**848**	**16,620**	**642**	**18,110**
Accumulated depreciation and impairment				
Accumulated balance at 1 July 2019	–	(2,961)	–	(2,961)
Amortisation expense	–	(2,495)	–	(2,495)
Accumulated balance at 30 June 2020	**–**	**(5,456)**	**–**	**(5,456)**
Amortisation expense	–	(3,282)	–	(3,282)
Accumulated balance at 30 June 2021	**–**	**(8,738)**	**–**	**(8,738)**
Carrying amount at 30 June 2020	848	8,220	1,549	10,617
Carrying amount at 30 June 2021	**848**	**7,882**	**642**	**9,372**

Intangible asset costs are predominantly software-related. The intangible asset work in progress relates primarily to the development of operating support systems and business support systems.

Management have reviewed intangible assets at balance date and concluded that there were no indicators of impairment (2020: nil).

Accounting policy – intangible assets

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

Other assets and liabilities

17. Creditors and other liabilities

	Note	Group 2021 $'000	Group 2020 $'000
Trade payables and accrued expenses		7,188	8,303
GST payable		445	371
Income in advance		792	302
Interest payable to CCHL	22	295	349
		8,720	**9,325**

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.

Accounting policies – creditors and other liabilities, employee entitlements and GST

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.

Employee entitlements

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

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.

18. Employee entitlements

	Group 2021 $'000	Group 2020 $'000
Current		
Accrued pay	319	437
Annual leave	627	632
Employee incentives	672	–
	1,618	**1,069**

19. Leases

	Group 2021 $'000	Group 2020 $'000
Opening balance	463	1,064
Additions	4,469	125
Repayment of lease liabilities	(565)	(726)
Closing balance	**4,367**	**463**
Current portion	95	409
Non-current portion	4,272	54
	4,367	**463**

19 (a). Right of use assets

	Building $'000	Plant & equipment $'000	Total $'000
Gross carrying amount			
Cost/valuation at 30 June 2020	893	296	1,189
Additions	4,376	164	4,540
Disposals	(1,022)	(332)	(1,354)
Cost/valuation at 30 June 2021	4,247	128	4,375
Accumulated depreciation and impairment			
Accumulated balance at 30 June 2020	(628)	(134)	(762)
Depreciation on right of use asset	(500)	(124)	(624)
Disposals	1,022	248	1,270
Accumulated balance at 30 June 2020	(106)	(10)	(116)
Carrying Amount at 30 June 2020	265	162	427
Carrying Amount at 30 June 2021	4,141	118	4,259

The weighted average incremental borrowing rate applied to lease liabilities recognised in the statement of financial position at the date of initial application was 4.53% (2020: 4.53%).

Other assets and liabilities

Accounting policies - leases

Leases comprise:

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

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

20. Deferred revenue

	Group 2021 $'000	Group 2020 $'000
Current portion	61	61
Non-current portion	274	384
	335	**445**

Deferred revenue arises from IRUs (irrevocable rights of use) sold to retail service providers. This revenue is amortised over the life of the IRUs.

Accounting policy – deferred revenue

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

Other disclosures

21. Share capital

	Note	Ordinary shares $'000	Redeemable Preference shares $'000	Total shares $'000
Balance at 1 July 2019		67,500	154,202	221,702
Shares issued during year:		–	5,591	5,591
Balance at 1 July 2020		67,500	159,793	227,293
Balance at 30 June 2021		**67,500**	**159,793**	**227,293**

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

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

During the year there were no costs associated with share issues (2020: Nil).

Capital management

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

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

Accounting policy – equity instruments

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

Accounting policy – consolidation

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

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

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

22. Related party disclosures

Identification of related parties

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

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

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

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

Key management personnel compensation

	Group 2021 $'000	Group 2020 $'000
Short term employee benefits (inc. salaries and Directors' fees)	3,413	2,783
KiwiSaver employer contributions	73	94
Total	**3,486**	**2,877**

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

In 2020 the CEO and Executive Team decided not to accept short-term incentive payments as a one-off response to COVID-19 and the possible economic impact on our community.

CCHL is a party to the UFB contract documents signed with CIP on 31 May 2011 under which it undertakes some of the obligations of ESL, and has provided a performance bond of $15m as at 30 June 2021 (2020: $15m).

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

Significant transactions and balances with related entities

	Note	Group 2021 $'000	Group 2020 $'000
Transactions during the year			
Issue of equity to CCHL	–	–	5,591
Borrowed from CCHL	(i)	–	3,000
Interest paid to CCHL	(ii)	12,924	13,015
Subvention payments from CCC tax group	(iii)	1,686	2,300
Sales to CCC		234	26
Sales to City Care Ltd		5	–
Purchases from Crown, CCC and controlled entities		2,051	1,081
Purchases from City Care Ltd for services		140	14
Purchases from Connetics Ltd for network-related services		–	3
Purchases from Orion Ltd for network-related services		5	5
Purchases from Vbase Ltd for services		–	27
Balances at end of year			
Loan balance due to CCHL	(iv)	294,400	294,400
Interest payable to CCHL	(v)	295	349
Accounts payable to CCC		1	14
Accounts payable to City Care Ltd		21	16
Accounts receivable from CCC		16	8

(i) The Group borrows from CCHL under a loan agreement, as outlined in Note 4, to fund its operations.

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

(iii) The Group is a member of the CCC tax group, which comprises CCC, CCHL and a number of subsidiaries of each entity. In exchange for the use of its tax losses, the Group receives subvention payments from other CCC tax group entities. In 2021 a subvention payment of $1.7m was received from Citycare Limited a subsidiary of CCHL

(iv) The loan balance due to CCHL at balance date is outlined in Note 4.

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

Other related party disclosures

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

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

23. Reconciliation of profit to net cash operating flows

	Note	Group 2021 $'000	Group 2020 $'000
Profit for the year		15,821	11,320
Add/(less) non-cash items			
Depreciation, amortisation and impairment expense	3,16	25,230	24,186
Deferred tax charged/(credited) to income	9(d)	4,596	5,677
Net foreign exchange losses		3	10
		29,829	29,873
Add/(less) items classified as investing or financing activities			
(Gain)/loss on disposal of non-current assets		251	(6)
Other		4	(6)
		255	(12)
Add/(less) movement in working capital items			
Trade and other receivables, prepayments – current		(343)	509
Inventories and work in progress – current		(124)	(451)
Creditors and other payables		(715)	(2,082)
Employee entitlements – current		549	(970)
Income tax		4,109	284
		3,476	(2,710)
Net cash flows from operating activities		**49,381**	**38,471**

24. Classification of assets and liabilities

	Group 2021 $'000	Group 2020 $'000
Financial assets measure at amortised cost		
Cash and cash equivalents	6,300	5,974
Trade and other receivables	1,776	1,464
Bank deposits with maturities of 4 to 12 months	6,000	10,000
	14,076	**17,438**
Financial liabilities measured at amortised cost		
Creditors and other payables	8,720	9,325
Lease liabilities for right of use assets	4,367	463
Borrowings from CCHL	294,400	294,400
	307,487	**304,188**

Other disclosures

25. Statement of service performance

The Statement of Intent (SoI) issued by ESL last year in respect of the 2020 financial year included both financial and non-financial performance measures. The following table compares ESL's actual results for the year ended 30 June 2020 with the targets contained within the SoI.

	Unit	Actual Group 2021	Target Group 2021
Financial performance targets			
Gross telecommunications revenue	$'000	79,968	76,400
Net profit after tax (NPAT)	$'000	15,821	12,200
Total assets	$'000	739,331	579,000
Debt	$'000	294,400	294,400
Equity	$'000	357,410	242,900
Shareholder's funds to total assets	%	48.3%	42.0%
Shareholder's return target – Dividends	**$m**	**18.0**	**13.5**
Operational performance targets			
Number of connections (cumulative)	Number	132,278	127,623
Operational service level agreement achievement	%	96%	>95%
Total network availability	%	99.997%	>99.97%
Health and safety performance targets			
Total recordable incidents	Number	10	<=3
Serious harm injuries	Number	Nil	Nil
Site visits (% of gross new connections)	%	15%	>15%
Sustainable business practices targets			
CO_2 reduction	%	50%	21%
Corporate waste reduction (average for paper, landfill waste, food and stationery	%	51%	15%

Other disclosures

Further explanation of our actual SoI results, including explanations of variances to target, for the year ended 30 June 2021 are as follows.

Financial performance targets

Gross telecommunications revenue represents all sales to retail service providers and the positive variance is a result of total connections being above target, largely a result of a lower impact of COVID-19 on connections than expected. NPAT and shareholder returns target – dividend being above target was also due to the larger income, as well as operating efficiency. Total assets value being above target was due to an unplanned revaluation and this result flows through into higher equity and shareholder's funds to total assets.

Operational performance targets

We connected 14,588 new customers resulting in connections (cumulative) total being above target – again this was a result of lower impact of COVID-19 on connections than expected. Operational service levels performance was a result of close management of our connection field force and core network availability resulting from careful management of our network assets.

Health and Safety performance targets

The business continues to set very high standards and improvement goals in health and safety – which is reflected in targets of zero serious harm injuries and a Total Recordable Incidents (TRI) of <=3.0. Our ongoing programme to develop a deeper understanding of contractors' work activities and Health & Safety practices has created greater visibility of incidents leading to a higher than target TRI. We are working closely with our current contractors to reduce the number of incidents and will continue to do so under our new supply model to be implemented in FY22.

Actual 2021	Target 2021
Contract and supply partner sustainability framework deferred until full Scope 3 emissions goals established. Requirements for future suppliers to meet Enable's sustainability goals included in network equipment and field services RFPs	**Additional Sustainability Target** Develop a framework, then execute, for all future contract and supply arrangements that aligns with Enable's sustainability goals by 30 June 2021
Business case completed and approved for ŌCHT partnership to address digital equity for all ŌCHT tenants, and partnership plans announced.	**Generating Greater Community Value Target** Completion of a business case(s) to close the digital divide in Christchurch in relations to social housing by 30 June 2021

Sustainability targets

We performed above target on carbon emissions and waste reduction through a targeted programme of work as we developed a better understand of our carbon inventory and waste habits and were able to intervene accordingly. We included sustainability criteria in our two major supply RFPs for network equipment and field services – with the criteria requiring potential partners to demonstrate how they would support Enable's sustainability goals and committing to doing so. We deferred the establishment of a framework for future contract and supply agreements until we have completed our Scope 3 emissions (those created by our supply partners) inventory work and finalised our reduction strategy.

Generating greater community value target

We met our target of approval of our first digital equity business case, and we announced our planned partnership to address digital equity for ŌCHT tenants. We are operationally ready to implement our plans, to close the digital divide and connect our community with unlimited opportunity.

Unrecognised items

26. Capital commitments

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

27. Contingent liabilities

Contingent liabilities

The Group provided a guarantee of CIP's loan to CCHL, this was discharged on the 31 May 2021. At 30 June 2021 this loan was NIL 2020: $159.8m).

The Group is currently involved in a dispute with one of its contractors

The Group had no other material contingent liabilities as at 30 June 2021 (2020: $nil).

28. Impact of COVID-19

As Christchurch has remained at Level 1 since the 9 June 2020, there has been no material impact from COVID-19.

29. Events after the balance sheet date

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

Governance and related information

Governance

Corporate governance framework

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

Enable (which for the purposes of this governance statement, comprises ESL and ENL) is ultimately owned by CCC, and its corporate governance practices and policies reflect the wider public accountability that this ownership structure entails. The contractual arrangements with CIP regarding the construction of the UFB network also have a major influence on Enable's policies and practices.

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

Board role and responsibilities

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

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

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

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

Board relationship with shareholder

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

Conduct of Directors

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

Governance and related information

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

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

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

Board Chairperson

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

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

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

Governance and related information

Remuneration and performance

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

Directors' remuneration

Total remuneration paid to Directors for the year ended 30 June 2021 was determined by the shareholder, and was allocated as follows.

	ESL $	ENL $	Group Total $
Mark Bowman	13,500	76,500	90,000
Craig Elliott	7,827	44,353	52,180
Kathy Meads	8,427	47,753	56,180
Justin Murray	6,762	38,319	45,082
Mark Petrie	7,377	41,803	49,180
Scott Weenink	7,902	44,778	52,680
	51,795	**293,506**	**345,302**

Chief Executive Officer's remuneration

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

	$'000
Fixed remuneration	595
Kiwisaver contributions	18
Total	**613**

Governance and related information

Employee remuneration range

The following table shows the number of employees and former employees who, in their capacity as such, received remuneration and other benefits in excess of $100,000 during the year ended 30 June 2021:

$	Number of employees in the year ended 30 June 2021 (Based on actual payment)
100,000 – 109,999	4
110,000 – 119,999	2
120,000 – 129,999	6
130,000 – 139,999	3
140,000 – 149,999	4
150,000 – 159,999	5
160,000 – 169,999	1
170,000 – 179,999	1
180,000 – 189,999	1
210,000 – 219,999	2
230,000 – 239,999	1
260,000 – 269,999	1
300,000 – 309,999	2
590,000 – 599,999	1

Governance and related information

Other disclosures

Directors' interests

ESL maintains an interests register in which particulars of certain transactions and matters involving the Directors are recorded. These are requirements under the Companies Act 1993. The following entries were recorded in the interests register during the year ended 30 June 2021.

Director	Directors' Interests
Mark Bowman Chair	**Director of** Enable Networks Limited, Comrad Holdings Limited, Claremont Investments Limited, Napoleon Investments Limited, Tourplan Holdings Limited **Director & Shareholder of** Scarlett Hydraulics Limited **Trustee of** MJ & RM Bowman Family Trust
Craig Elliott	**Director of** Enable Networks Limited, ezyVet Software, Council Member of Yosemite Conservation Council **Trustee of** Elliot Family Trust
Kathy Meads	**Director of** Enable Services Limited, Magic Memories Group Holdings Limited, NZPM Group Limited, Shipowners' Mutual Protection and Indemnity Association (Luxembourg), Port Taranaki Limited, Transpower New Zealand Limited **Director & Shareholder of** Kathy Meads Limited **Trustee of** Christchurch Symphony Orchestra Trust
Justin Murray	**Director of** Enable Networks Limited, Christ Church Cathedral Reinstatement Limited, Christchurch International Airport Limited **Director & Shareholder of** FDJ Murray & Company Holdings Limited, Murray Capital Limited, Murray & Company Wealth Management Limited, Murray Partners Limited, Murray & Company Limited **Trustee of** Murray Family Trust
Mark Petrie	**Director of** Enable Networks Limited, DARC Energy Limited, DARC Technologies Limited **Director & Shareholder of** CommArc Consulting Limited, De Novo Partners Limited, CHM Limited (corporate trustee of the Petrie Investment Trust), Mark Petrie Investments Limited **Trustee of** Mark and Kelly Petrie Family Trust, Mark Petrie Family Trust, Petrie Investment Trust
Scott Weenink	**Director of** Enable Networks Limited, Asset Finance Limited, Generate Funds Limited, Generate Investment Holdings Limited, Generate Investment Management Limited, New Zealand Cricket Players Association, Xceda Capital Group Limited **Director and Shareholder of** Escalate Advisory Limited

Governance and related information

Attendances of ESL Board and Committee meetings during the 2021 financial year	ARC	HS&P	FTP	Board
Total number of meetings	5	3	4	7
Mark Bowman	5	2	1	7
Craig Elliot	N/A	N/A	4	7
Kathy Meads	5	N/A	N/A	7
Justin Murray	3	N/A	3	7
Mark Petrie	N/A	N/A	4	7
Scott Weenink	N/A	3	N/A	7

Attendances of ENL Board and Committee meetings during the 2021 financial year	ARC	HS&P	FTP	Board
Total number of meetings	5	3	4	7
Mark Bowman	5	2	1	7
Craig Elliot	N/A	N/A	4	7
Kathy Meads	5	N/A	N/A	7
Justin Murray	3	N/A	3	7
Mark Petrie	N/A	N/A	4	7
Scott Weenink	N/A	3	N/A	7

ARC – Audit and Risk Committee **HS&P** – Health, Safety and People Committee **FTP** – Future Technology and Products Committee

Insurance

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

Donations

Donations were made to the Cerebral Palsy Society, Diversity Works, Heart Kids NZ, Kids Can and St John of $1,900 in total.

Dividends

The Group paid a dividend of $18m during the year..

Principal activities

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

Independent Auditor's Report

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

To the readers of Enable Services Limited's Group financial statements and performance information for the year ended 30 June 2021

The Auditor-General is the auditor of Enable Services Limited Group (the Group). The Auditor-General has appointed me, Chantelle Gernetzky, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and the performance information of the Group, on his behalf.

Opinion

We have audited:

- the financial statements of the Group on pages 37 to 64, and 67 that comprise the statement of financial position as at 30 June 2021, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the Group on pages 65 to 66.

In our opinion:

- the financial statements of the Group on pages 37 to 64, and 67:
  - ¤ present fairly, in all material respects:
    - its financial position as at 30 June 2021; and
    - its financial performance and cash flows for the year then ended; and
  - ¤ comply with generally accepted accounting practice in New Zealand in accordance with New Zealand equivalents to International Financial Reporting Standards; and
- the performance information of the Group on pages 65 to 66 presents fairly, in all material respects, the Group's actual performance compared against the performance targets and other measures by which performance was judged in relation to the Group's objectives for the year ended 30 June 2021.

Our audit was completed on 27 August 2021. This is the date at which our opinion is expressed.

The basis for our opinion is explained below, and we draw attention to the impact of COVID-19 on the Group. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

Basis for our opinion

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

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

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

Independent Auditor's Report

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

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

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

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

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

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

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

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements and the performance information.

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

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

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- We evaluate the appropriateness of the reported performance information within the Group's framework for reporting its performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtain sufficient appropriate audit evidence regarding the financial statements and the performance information of the entities or business activities within the Group to express an opinion on the consolidated financial statements and the consolidated performance information. We are responsible solely for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

Independent Auditor’s Report

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

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

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 2 to 36, 68 to 73, 77 to 78, but does not include the financial statements and the performance information, and our auditor’s report thereon.

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

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

Independence

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

In addition to the audit we were engaged to perform assurance engagements for the 2021 disclosure year pursuant to the Local Fibre Company Information Disclosure Determination 2018, and information disclosure requirements of section 83 of the Telecommunications Act 2001. These engagements are compatible with those independence requirements. Other than the audit and these engagements, we have no relationship with, or interests in, the Group.

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

Glossary

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

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

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

Directory

Shareholder

Christchurch City Holdings Limited

Registered office

Level 3, Iwikau
Pita Te Hori Centre
93 Cambridge Terrace
Christchurch
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 is the auditor pursuant to section 14 of the Public Audit Act 2001. Chantelle Gernetzky of Audit New Zealand was appointed to perform the audit on behalf of the Auditor-General.

Solicitor

Simpson Grierson

Banker

BNZ