

# 2020 **Annual Report**

Enable Services Limited



# Enable and world-class fibre broadband for the people of Christchurch

Amid the global COVID-19 pandemic, we continued to deliver our essential services to over 117,000 connected households and businesses to ensure our community was connected with unlimited opportunity over the best broadband technology – fibre broadband.

Our business, network and our people are ready to adapt to the new emerging needs of our greater Christchurch community today and well into the future – and we proved this in 2020.

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# Delivering essential services during a global pandemic



We are immensely honoured to have been there for Christchurch during the COVID-19 pandemic –when much of our community were entirely dependent on internet delivered over our fibre broadband network.

As a lifeline utility and essential service provider, we continued to operate our business safely, provide our community with quality fibre broadband services, and connect essential service customers to our network throughout all COVID-19 Alert Levels in accordance with the Government’s guidance.

Within 24 hours of the Government’s announcement of the intention to move New Zealand to Alert Level 4, Enable people were working remotely and operating at full-productivity and remained focused on delivering to our community.

During the COVID-19 lockdown broadband usage habits changed - video conferencing to connect with friends, family and workmates became the norm; the number of people relying solely on the internet to do business skyrocketed; children were online learning every day;

and streamed entertainment was the primary source of content.

The speed, low latency, consistency and reliability of fibre broadband meant our network was ready for whatever our customers needed. We witnessed a significant increase in data usage across our network – double during the day and up to 70% at peak times in the evening when compared to what was happening pre-lockdown. Our customers could have complete confidence connecting with the world however and whenever they needed over our fibre broadband network.

As part of the national response to stamping out COVID-19, Enable people stood strong with the Christchurch community by adapting quickly to this unique environment. Our people ensured our network delivered high performance and reliability for our community. This meant local people could stay home, stay safe, and still run their businesses, learn, access essential services, and stay connected with loved ones. Our quality fibre broadband services were an important factor in ensuring the success of the lockdown.

## Enable’s investment in supporting the Christchurch community through COVID-19

With schools switching to online learning throughout the COVID-19 pandemic lockdown those students in our community who do not have access to the internet at home were further exposed. We committed to providing free wholesale fibre broadband services to every home where the Ministry of Education identified a student without access to the internet and our infrastructure was available.

We also supported local businesses by placing a hold on any product price increases until 1 October 2020 and introduced a short-term business service suspension option with no charges associated with it.

Recognising the increased need for higher upload speeds in local homes, driven by more video conferencing, we offered a free upgrade to our 200/100Mbps residential service for anyone currently on our 100/20Mbps or 200/20Mbps services.



# Evidence of fibre broadband's superior performance

The Commerce Commission reported the performance of fibre broadband and the other broadband technologies, including through the COVID-19 pandemic, in its Autumn 2020 Broadband Comparison Report.

## Fibre delivers the best average broadband speeds

The report highlighted the differences in performance in average download speeds on different technologies. On a 100Mbps fibre plan, customers enjoyed an average speed of 99Mbps while other technologies delivered much lower speeds – ADSL (9Mbps), fixed wireless (26Mbps) and VDSL (43Mbps). Top end fibre broadband plans delivered an average speed more than 16 times faster than other fixed technologies and close to 30 times faster than fixed wireless broadband.

## High speed is the key to great broadband performance

Speed is the key to good broadband performance, with greater data needs requiring more speed. This was highlighted in the report with fibre supporting the successful streaming of ultra-high definition video (which uses more data than lower definition video) virtually all the time (99%) – compared to VDSL which failed about 10% of the time, fixed wireless broadband about 33%, and ADSL 90% of the time.

## Fibre broadband performance is unaffected by increased usage

The report also highlights the difference in technology performance specifically during the COVID-19 lockdown when so many people were dependent on the quality of their home broadband and when broadband usage increased as a result. During this time, 100Mbps fibre service average speeds were unaffected while fixed wireless broadband average speeds reduced by 20% to 25%.



# 2020

## Our annual review



## Chair and CEO introduction

Enable had a strong year in terms of financial performance, delivering ahead of key financial targets through careful management of the business in an uncertain market and operating environment.

2020 marked the end of a decade where we were primarily focused on deploying our large-scale fibre network infrastructure for the benefit of the greater Christchurch community. It is evident today that the people of Christchurch have made a smart, multi-generational investment. They now own an asset that is set to deliver increasing economic and social returns – a point that was reinforced in an increase in the valuation of our network.

Throughout the year we continued to grow our business with increased telecommunications revenue. This was achieved through connecting more customers to fibre broadband and by retaining existing customers through engagement and excellent service delivery. We moved to a position of sustainable positive cashflow and delivered a strong operating profit above target. We are well positioned to deliver our first dividend to our shareholder, Christchurch City Holdings Limited, in 2021 – a year ahead of plan.

Careful management of our business throughout the years placed us in a strong position to support our community and customers through the COVID-19 pandemic. Our world-class network asset, efficient operating model, strong financial position, and a highly skilled and engaged team were all factors that combined to deliver outstanding results through a challenging time. These same factors mean we are well placed to continue

to grow our business through the upcoming period of economic uncertainty.

The year also included the formal completion of our ultra-fast broadband (UFB) network build contract with the Crown on 31 December 2019 and the conclusion of the associated network delivery partnerships. We also experienced changes in the Governance of our business – with long-serving Directors and former Chairs, Bill Luff and Brett Gamble, retiring. Both Directors have been instrumental in the growth and success of Enable.

We have set our next 10 year strategy focused on continuing to deliver excellent performance in operating our fibre broadband infrastructure for the benefit of our customers and extending our business to deliver additional economic and social value to the people of greater Christchurch.

The Board and Executive would like to thank our people for their commitment to Enable, particularly through the COVID-19 pandemic. Without their hard work and commitment, we would not be so well positioned to continue to ‘connect our community with unlimited opportunity.’

**Steve Fuller, CEO**   **Mark Bowman, Chair**





# 117,690

Total customers connected

# 106,110

Homes connected

# 63%

Fixed broadband market share

# 11,414

Businesses connected

# 166

Schools connected

# 76%

Rolleston uptake

The Rolleston community has the highest fibre broadband uptake in New Zealand, as per the Crown Infrastructure Partners Quarterly Connectivity Update.

## Connecting greater Christchurch to fibre broadband

There are 117,690 customers connected to our network – an increase of 16,419 in the year.

We experienced continued solid connection growth while facing a temporary reduction in connection volumes through the COVID-19 pandemic.

Despite the pandemic increasing the need for high quality connectivity for many people, it slowed our ability to physically connect new customers due to lockdown restrictions.

We now provide approximately 63% of fixed broadband connections within our greater Christchurch coverage area. We continue to grow our position as the largest wholesale fixed broadband service provider in our community, and one that is owned by the Christchurch community we serve.

We continued to work to understand the needs of the late adopters in the broadband market that remains to migrate to fibre. We know that many of these potential customers struggle to understand what fibre broadband can do for them or how to make the switch.

In response to this challenge, we continued to invest in a strong market brand presence around a clear notion that “Fibre is Best” – which was reinforced by independent broadband testing conducted by the Commerce Commission.

We employ an extensive range of channels, with a focus on digital and social media activity to help educate our community. Our Fibre Ambassadors continued to work directly out in the community helping over 4,000 customers make the move to fibre broadband.

This year was also the first full year of Enable utilising its property access rights as per the Telecommunications Act 2001 to reach more customers in right of ways and shared driveways. As a result, we connected

4,300 customers who previously may have found it difficult to gain access to a fibre broadband service due to consent issues with neighbouring property owners. We reduced the number of customers in right of ways waiting for fibre broadband by close to 60%.

We continued to see strong growth in the business market with over 1,000 new connections – reaching a total of 11,414 businesses connected.



# Delivering excellent customer experience

We continued to build loyalty and trust with our customers by focusing on delivering an outstanding customer experience for all new and existing customers.

Our newly connected customers, those who experience the most interactions with us through their connection process, rated us with an industry-leading average Net Promoter Score (NPS) for the year of 49. Our average NPS score increased by over 10 points in the last quarter as we continued to deliver our essential services through the COVID-19 pandemic – a testament to the customer experience commitment of our people and contractor partners.

Throughout the year we invested in several initiatives aimed at empowering our people – including the development of a new internal knowledge base system, GuideMe. This self-service tool, employing artificial

intelligence for continuous improvement and growth, provides the knowledge and guidance to deliver an excellent experience in every interaction with our partners, internet providers and customers. We also leveraged GuideMe's functionality to develop our website Help Centre, which allows customers and our community to self-serve information. Over 1,000 people visit the Enable Help Centre every month.

We continued to make improvements to our Customer Care operational model to ensure we make the process as easy as possible for our customers to do business with us.

We extended our opening hours and offered appointments in weekends and during holiday periods to give more customers the opportunity to connect to fibre broadband.

By year end, approximately 30% of new customers were moving into homes and businesses where fibre has previously been installed. To ensure these customers are given a voice around their service experience, we broadened our customer survey and the first NPS result from this group was 67.

We are also focused on improving our understanding of existing customers and their experience of our fibre broadband services. We are focused on several initiatives that will reinforce the value of Enable and fibre broadband for all our customers.

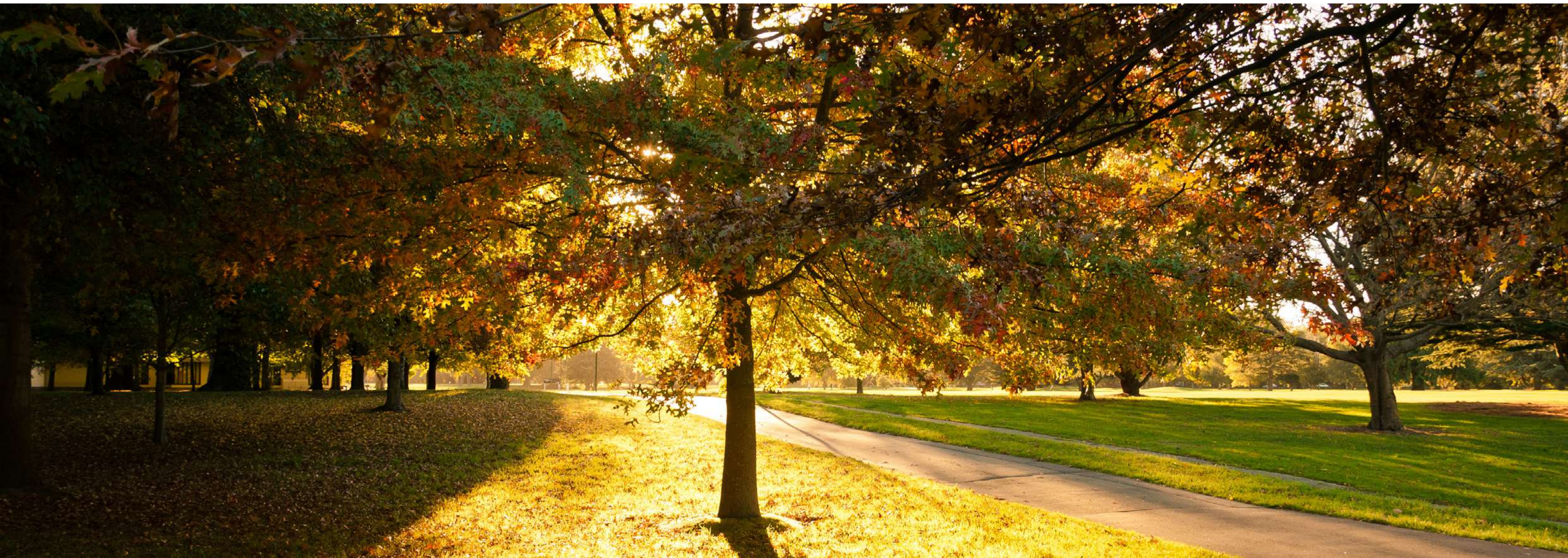


"This was the best experience I have had with Enable. Sorted quickly and always on time or even early which was awesome. I am so grateful that you were able to install my fibre during this lockdown as it was essential for me to continue working from home. Thank you so much."

Halswell resident







## Our place – supporting a sustainable Christchurch

We set our first published sustainability targets aimed at having a greater positive impact on the environment by operating our business in an environmentally responsible way towards achieving net zero emissions and zero waste.

Our targets include achieving a 49% reduction in direct operational carbon emission over the next three years and

reducing overall direct operational business waste by 50% in the same period. We are also committed to establishing a framework for all future supply and contract arrangements that align with our sustainability goals by 30 June 2021.

To support our carbon reduction goals we introduced new flexible work arrangements for our people and modern workspace

design that supported consolidation of our corporate office space, and new technology to support this way of working. We also began our transition away from petrol and diesel fleet vehicles with the introduction of three hybrids into our fleet – as we look to move all our fleet to electric and hybrid vehicles. This resulted in a 31% reduction in direct operational emissions over the first six months of implementing our strategy – which equates to an estimated saving of 53 tonnes of carbon dioxide emissions.

We have also made several improvements to the way we manage consumables and waste in our business, to reduce the amount going into landfills. We have introduced follow-me printing technology and educated our people on reducing printing requirements and have improved recycling and organic waste management across our office to ensure more waste is repurposed or reused.





# Our people – passion for our business and community

The passion for our business and community from all Enable people was clear throughout the year and particularly in how they continued to deliver outstanding business outcomes through the COVID-19 pandemic.

We conducted our annual engagement survey in May 2020 resulting in a 13% increase in overall staff engagement in a very challenging environment.

This result was built on a people strategy to nurture a healthy, innovative, and ethical culture that values diverse thinking and capability, and fosters inclusion and trust. We continued to emphasise our organisational values of Smash Boundaries, Own the Experience, Keep it Simple & Fresh, and Show the Love. We worked to support our people to embrace these values to do the best work for themselves, each other and our customers and community.

Our Wider Leadership Team – identified as the people within our business that can most positively impact our culture and our business outcomes – have applied their diversity of thought to solve complex problems and generate opportunities for growth across our business.

We have continued to refine our performance management processes to provide all our people with role clarity and purpose within Enable and to improve internal communication tools to connect our people and share our successes.

The cultural maturity and resilience we have developed as an organisation was tested through the COVID-19 pandemic lockdown – where all of our people were asked to immediately reinvent how they worked to ensure that we continued to deliver our essential services to our community. Our people performed admirably throughout this period.

## Setting Enable on a path for future working

We are completing a significant organisation-wide Future Way of Working project aimed at supporting the 'Our Place' and 'Our People' goals.

This programme is being led by a cross-section of Enable people, with the team working to understand the needs of all our people (and potential future people) and organisation.

"The insights from the programme will shape our future flexible work practices, employee benefits and support services, and our corporate accommodation requirements," said General Manager – People and Culture, Natasha Wong.

"Responding to the changing needs and wants of our workforce to retain and attract the best people is vital to our future success."





# Our community – generating greater community value

Last year we surveyed the Christchurch community and asked them what they believe is the most important thing for Enable to focus on when it comes to making a positive contribution.

Our community's top priority was that we ensure our network is highly resilient to environmental and any other pressures and that it always worked.

It is vitally important to us that we never lose sight of the central role our fibre broadband plays in empowering our community to deliver social and economic growth for itself. Our emphasis on world-class network reliability is set out in the next section.

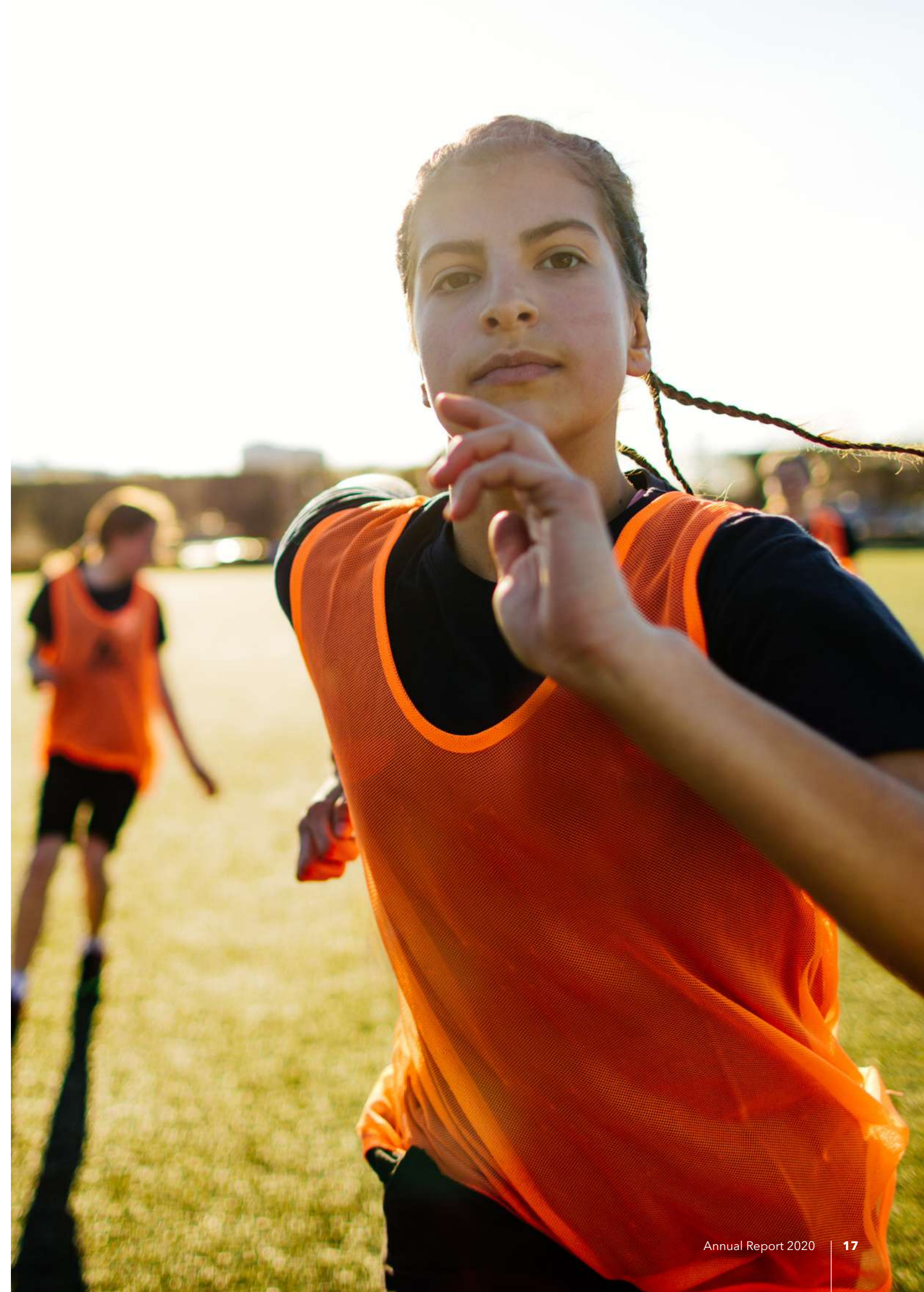
We believe that by leveraging our network assets, fibre broadband services, expertise and partnerships we can also deliver even greater value to our community through new business and social good initiatives. With this in mind, we worked with partners Network for Learning to upgrade all schools in Christchurch to fibre broadband services capable of delivering up to one Gigabit speeds at no additional cost. Furthermore, during the COVID-19 response we also committed to providing a free fibre broadband service

to any school student without access to the internet where there was Enable network infrastructure installed in the home. These services are being delivered free by Enable until 31 December 2020.

During the year we have focused on growing our understanding of the digital divide and the associated social and economic challenges people face when they are disadvantaged by it. We are exploring the key role Enable can play in addressing this challenge and establishing key partnerships to do so.

We continued to support local businesses through our sponsorship of the Enable Digital Series in partnership with the Canterbury Employers' Chamber of Commerce (The Chamber). We also support the next generation of leaders to grow through the Chamber's Next Gen Series and 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.







# Driving better health, safety and wellness outcomes

Enable’s health, safety and wellness vision of “we CARE for each other” remained at the forefront of our business and we continued to implement a broad range of initiatives to keep our people safe and well.

We have focused on building a deeper understanding of contractors’ work activities to increase the robustness of our health and safety practices, improve reporting practices and provide more transparency and visibility of their health and safety performance. This programme has resulted in greater clarity and visibility of incidents, near misses and Enable’s expectations on

reporting. This has resulted in an increase in reported incidents and a TRIFR of 13.2.

The increased visibility has provided significant opportunity to refine and improve our processes – with a focus on incident investigation and continuous improvement from investigation findings. We introduced an external contractor pre-qualification practice, are working to implement improved management software and continue to focus on preventive site audits and safety interaction – of which we conducted 7,273 during the year, against a target of 1000.

## Health and safety measures

|       | 2016 | 2017 | 2018 | 2019 | 2020 |
|-------|------|------|------|------|------|
| TRI   | 14   | 9    | 6    | 3    | 9    |
| TRIFR | 8.5  | 5.5  | 3.7  | 3.5  | 13.2 |
| LTIFR | 5.2  | 2.5  | 3.2  | 3.6  | 4.3  |

Total Recordable Injury

Total Recordable Injury Frequency Rate (per million hours worked)

Lost Time Injury Frequency Rate (per million hours worked)

As the COVID-19 pandemic response evolved, keeping our people and our community safe required us to swiftly implement new processes and procedures to operate safely and connect our community to our network.

We continued to run an extensive wellness programme – with the themes Connect,

Give, Take Notice, Keep Learning and Be Active - to support our people in living healthy lives. The importance of Health, Safety and Wellness was also recognized in our annual engagement survey where we achieved a score of 82% when asked if the health, safety and wellbeing of Enable people is appropriately reflected in our systems, processes and work environment.



# Operational excellence in exciting and challenging times

It was a unique year for our operational business, beginning with preparation for the 2019 Rugby World Cup, the largest streaming event in New Zealand history, and culminating in the COVID-19 pandemic, where the greater Christchurch community had never been more dependent on their home fibre broadband service.

We had invested in doubling the capacity of our network in preparation for the Rugby World Cup and had also prepared our operational business to ensure our network operated at highest reliability levels throughout the event. This ensured our network was never the cause of a poor viewing experience, with the network delivering outstanding performance results and peak capacity usage remaining slightly below 50% even during the most watched matches.

Our investment in increased network capacity and network reliability preparations, placed us in an excellent position when New Zealand began an unprecedented national lockdown in March 2020 as part of the COVID-19 pandemic response. Our network delivered outstanding performance throughout this time for all those who depended on it with network capacity usage exceeding 50% during some peak times.

The overall service performance delivered was consistently well above contracted service levels (with expectations met 98% of the time) and 99.997% total network availability was achieved across all customer connections.

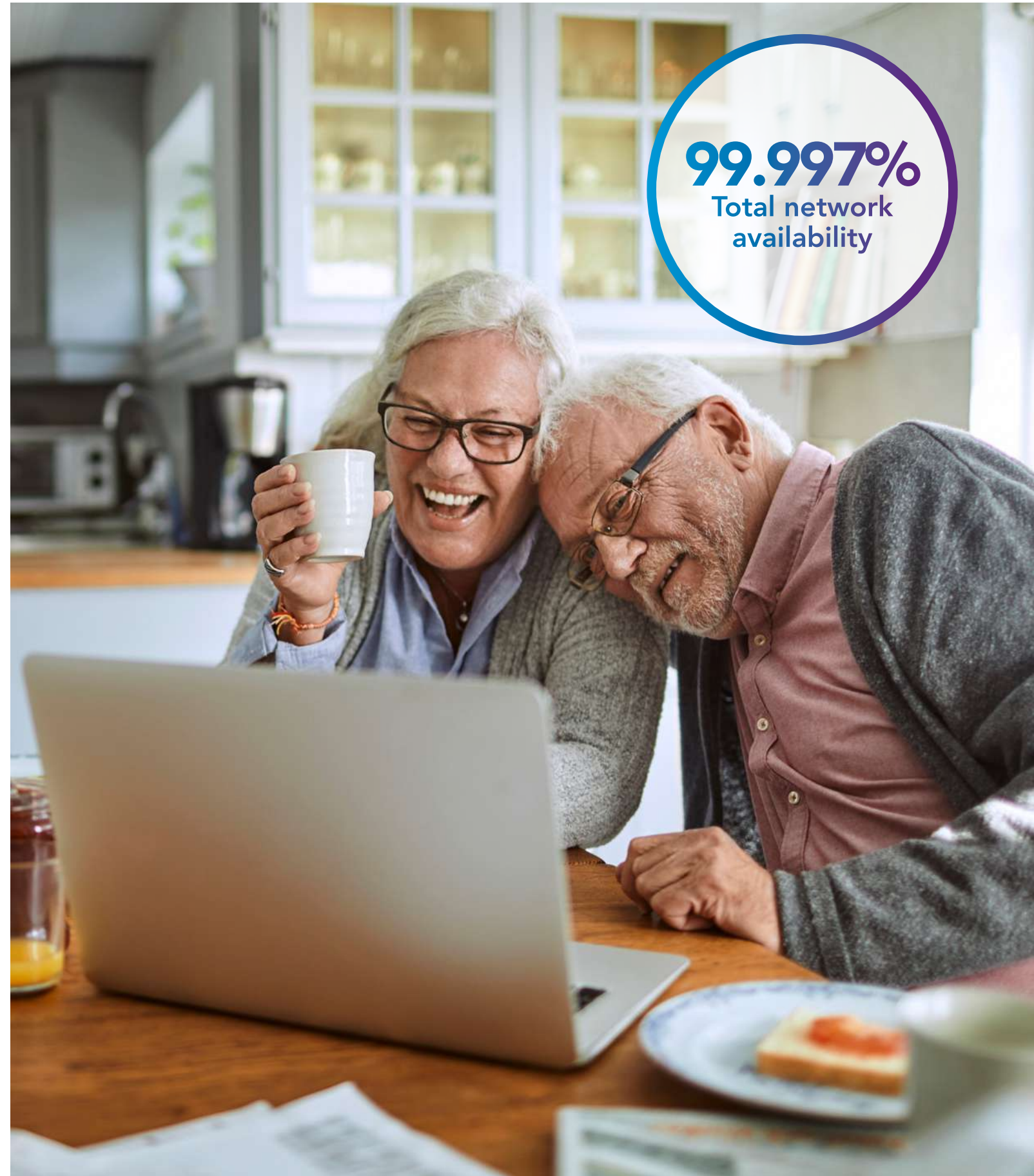
We continued to augment our network to support the ongoing development of our city and surrounding towns. We extended our network to reach approximately 2,000 new properties being developed in the region. Through our right of way build programme we also extended our network into 2,518 private right of ways meaning an additional 7,823 potential customers could easily access fibre broadband services.

We also formally completed our ultra-fast broadband (UFB) initiative network build obligations to the Crown (on 31 December 2019) and ended our build contract with BROADSPECTRUM (New Zealand) Limited concluding our successful Network Delivery Alliance.

“Through the COVID-19 response our network was the vital lifeline that enabled our community to work, learn, access community services, connect with each other and be entertained. It had to do its job and it did.”

Chief Operations Officer, Ed Beattie.

**99.997%**  
Total network  
availability





# Financial performance

We delivered a very good net profit before tax of \$15m, reflecting Enable's larger income base made up primarily of revenue from our wholesale fibre broadband services. This result compares favourably to the previous year's \$4m net profit before tax and exceeded our expectations.

Net profit after tax was \$11m. Gross telecommunications revenue for the year was \$68m – an increase of \$13m against last year and slightly below SOI target.

This strong performance reflects the careful management of the business despite the market and environmental (such as COVID-19 pandemic) factors outlined in this report. The result highlights the improved financial maturity of the business.

Another key indicator of our growing financial maturity is that we moved to a positive cashflow position during the year – meaning our ongoing revenue streams can now support our operational expenses and future capital expenditure.

A revaluation of our network assets to \$625m (an increase of \$66m after tax) boosted total comprehensive income, net of tax, to \$78m.

This higher asset valuation (last undertaken in 2018) reflects both the company's higher connected customer base and the current market valuations of comparable essential network infrastructure assets.

**\$11m**

Net profit after tax

**\$68m**

Gross telecommunications revenue

**\$78m**

Total comprehensive income  
(after asset revaluation)

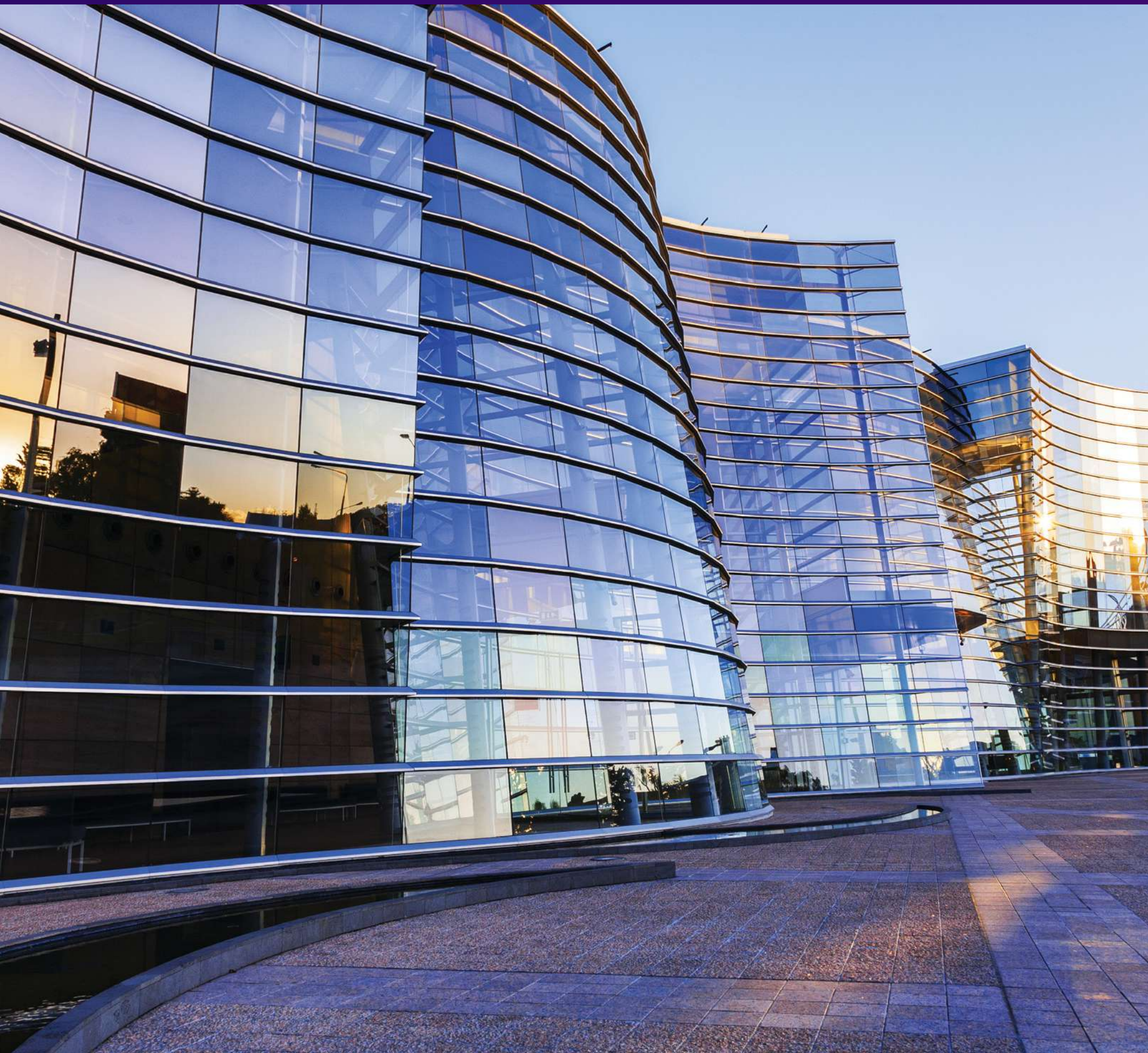
**\$664m**

Total assets

"Enable is now a strong sustainable business that can manage operational costs, deliver outstanding customer experience and maintain financial performance, even in a challenging year for growth."

Chief Financial Officer, Warren Maslin.





# Engaging with industry and Government

Enable continued to work closely with key industry and Government stakeholders to ensure the New Zealand communications sector promotes ongoing investment and advancement for the long-term benefit of consumers, and is one where Enable can continue to grow as a business and return a reasonable return to the Christchurch community.

On 1 January 2020, we released to market a set of unbundled products that meet our obligations, set under our Deed of Open Access for Fibre Services in 2011. These products provide internet providers with greater choice as to how they create broadband services and deliver them to consumers. Preparing for this change was a significant project that was delivered on time and below budget.

Enable was appointed to the Board of the New Zealand Telecommunications Forum Inc (TCF) as a Tier Two Industry Representative. We contributed to several key TCF working parties, programmes of work and industry codes, most notably preparation for the withdrawal of copper telephone and broadband services - which could begin in parts of New Zealand as early as March 2021.

Through the COVID-19 pandemic the TCF played an important role coordinating the industry response and acting as a single point of liaison for central Government. Enable was very active through this period as a member of the TCF to ensure the industry acted responsibly and consistently and delivered the best outcomes for consumers through the pandemic.

We continued to work closely with the industry and Government in preparing for the implementation of the Telecommunications (New Regulatory Framework) Amendment Act 2018, particularly the new regulated Information Disclosure regime that commences on 1 January 2022. 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.





# 2021 – the year ahead

We will continue to grow our core business to maximise shareholder value and ensure the maximum number of people within our community are benefiting from our world-class fibre broadband and our unique position as a community-owned network company.

## Delivering a truly world-class fibre broadband experience to all

We are strongly focused on growing our connected customer base – targeting 127,500 total customers connected equating to almost 70% of local fixed broadband connections. We will continue to target potential new customers and build loyalty with existing customers by better understanding their needs. Our aim is for all customers to make the most of fibre broadband in their lives and to feel empowered to choose the best broadband technology for their families. We will also grow local understanding of the value of Enable to our community.

We are committed to continuing to invest in ensuring that our network's capacity and capability stays ahead of the needs of our community and that all existing and new customers enjoy the very best broadband experience at all times. This programme of work will include preparing ourselves to deliver faster fibre broadband services and simplifying our products to ensure more people can access the best fibre services available.

## Strengthening our business to maximise shareholder returns

We will deliver our first shareholder dividend in the coming year – a year ahead of previous projections – having brought the dividend forward as part of our commitment to support our community as we all respond to the impacts of the COVID-19 pandemic.

We will grow telecommunications revenue to \$76m and plan to deliver a net profit after tax of \$12m. This growth will be primarily driven by our ongoing purpose to connect more of our community to fibre broadband. We will continue to increase the reach of our network to more potential customers where it makes commercial sense to do so.

We will explore new revenue opportunities that leverage our core infrastructure, and commercial and technical expertise.

Continued investment in automation, systems and business process improvement will ensure that we always operate our business extremely efficiently, with a focus on enhancing how we operate and maintain our existing network and customer connections.

## Providing greater economic and social value to our community

Through appropriate partnerships that help generate broad economic and social returns on investment, we will lead (where appropriate) and support solutions that will leverage our core fibre infrastructure for the wider benefit of our community.

We will particularly focus on building partnerships to work towards eliminating the digital divide across greater Christchurch. We believe that addressing digital access, skills, motivation and trust barriers to empower those people currently excluded from a digital society can, and will, have measurable positive economic and social benefits that will outweigh the required investment needed by key partners.

## Supporting and nurturing a truly sustainable future for greater Christchurch

Enable is committed to becoming a sustainably led organisation that has zero adverse impact on our community and maximises positive value creation in everything we do.

We will drive towards achieving net zero emissions from our business operation and applying circular economy principles to reduce and eliminate waste through the 'Our Place' programme. We will continue to work towards our published carbon and waste reduction goals and extend our sustainability goals more broadly into our contractor and supplier relationships.

We will support all Enable people to lead fulfilling lives by ensuring that they are healthy and safe from harm, their capabilities are strengthened, they have access to economic opportunity and social justice to meet basic needs, and are provided the opportunity to bring their true self to work to cultivate a sense of belonging.



# Board of Directors



**Mark Bowman - 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. He joined the Enable Board of Directors in November 2011 and was reappointed Chair on 1 January 2019 (having previously been Chair in 2016 and 2017).



**Craig Elliott**

Craig has thirty years of experience in Silicon Valley as an international technology executive focusing on networking. Craig spent ten years at Apple Computer 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.



**Kathy Meads**

Kathy is a professional independent director and is currently serving on six Boards. She has extensive governance, commercial and financial experience and has held senior executive positions with Telecom/ConneCTel, Ngai Tahu Holdings Corporation and Lyttelton Port of Christchurch. In addition to Enable, Kathy is a director of Port Taranaki Ltd, Magic Memories Group Holdings Ltd, NZPM Group Ltd, Shipowners Mutual Protection and Indemnity Association (Luxembourg) and Transpower New Zealand Ltd.



**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 Modica Group (a NZ based enterprise messaging platform provider), Generate KiwiSaver Funds Management, Asset Finance Limited and the New Zealand Cricket Players Association (Chair). 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 of experience as a director in the telecommunications field and holds Board memberships of several companies including De Novo Partners, an investment and holding company. As an acquirer of numerous start-ups and the founder/CEO of Snap, Mark integrated Snap's national and international fibre telecommunications network with 2degrees, which laid the foundation for 2degrees' growth into a major, full-service telecommunications provider. He has been closely involved in all facets of the design, build and maintenance of telecommunications networks, digital service marketing, channel sales and cyber security audits.

## Former directors

Bill Luff retired from the Board during the year, effective 31 December 2019, and Brett Gamble resigned effective 31 March 2019. Both Bill and Brett made tremendous contributions to the establishment and growth of Enable over a long period of time. Bill served as the first Chair from Enable's establishment through until 30 June 2013. Brett also served as Chair from 1 August 2017 until 31 December 2018.



# 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 documents that govern the establishment of the Enable Group and the on-going partnership are as follows:

The Network Infrastructure Project Agreement sets out the relationship between, and the obligations of ENL, ESL and CIP in creating and managing the network.

The Network Infrastructure Assets Transfer Agreement transferred ESL's existing fibre network to ENL.

In addition, and as required by the Telecommunications Act 2001, Enable entered into 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.

## Board sub-committees

The Audit and Risk Committee assists the Boards in discharging their responsibilities in financial reporting and external audits, risk management and assurance, and capital structure and treasury. The 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 2020

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| 13 Other financial assets                        | 54   |   |      |
| 14 Inventories                                   | 54   |   |      |
| 15 Construction contract work in progress        | 54   |   |      |
| 16 Intangible assets                             | 55   |   |      |



# 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 2020.

Signed on behalf of the Board



Mark Bowman  
Chair  
25 August 2020



Kathy Meads  
Chair of Audit and Risk Committee  
25 August 2020

# Statement of comprehensive income

For the year ended 30 June 2020

|   | Note | Group 2020<br>\$'000 | Group 2019<br>\$'000 |
|---|------|----------------------|----------------------|
| Operating revenue   | 5    | 76,985               | 58,768               |
| Other income  | 5b   | 6                    | -                    |
| <b>Total revenue and gains</b>                                      |      | <b>76,991</b>        | <b>58,768</b>        |
| Operating expenses  | 6    | (24,406)             | (20,609)             |
| <b>Earnings before interest, tax, depreciation and amortisation</b> |      | <b>52,585</b>        | <b>38,159</b>        |
| Depreciation and amortisation                                       | 7    | (24,186)             | (20,471)             |
| <b>Earnings before interest and tax</b>                             |      | <b>28,399</b>        | <b>17,688</b>        |
| Finance income  | 8    | 81                   | 68                   |
| Finance costs   | 8    | (13,499)             | (13,951)             |
| <b>Net finance costs</b>  |      | <b>(13,418)</b>      | <b>(13,883)</b>      |
| <b>Profit/(loss) before income tax</b>                              |      | <b>14,981</b>        | <b>3,805</b>         |
| Income tax (expense)/credit   | 9    | (3,661)              | 7,025                |
| <b>Profit/(loss) for the year</b>                                   |      | <b>11,320</b>        | <b>10,830</b>        |
| <b>Other comprehensive income</b>                                   |      |                      |                      |
| <i>Items that will not be recycled to profit or loss:</i>           |      |                      |                      |
| Revaluation of assets   | 3    | 92,256               | -                    |
| Income tax relating to other comprehensive income                   |      | (25,832)             | -                    |
| <b>Other comprehensive income for the year, net of tax</b>          |      | <b>66,424</b>        | <b>-</b>             |
| <b>Total comprehensive income/(loss) for the year, net of tax</b>   |      | <b>77,744</b>        | <b>10,830</b>        |



# Statement of financial position

As at 30 June 2020

|   | Note  | Group 2020<br>\$'000 | Group 2019<br>\$'000 |
|---|-------|----------------------|----------------------|
| <b>Current assets</b>                     |       |                      |                      |
| Cash and cash equivalents                 | 11    | 5,974                | 1,941                |
| Trade and other receivables               | 12    | 1,924                | 2,433                |
| Other financial assets                    | 13    | 10,000               | –                    |
| Inventories                               | 14    | 2,066                | 2,468                |
| Current tax asset                         | 9 (c) | 1,716                | 2,000                |
| <b>Total current assets</b>               |       | <b>21,680</b>        | <b>8,842</b>         |
| <b>Non-current assets</b>                 |       |                      |                      |
| Property, plant and equipment             | 3     | 625,880              | 517,130              |
| Construction contract work in progress    | 15    | 5,143                | 12,604               |
| Right of use assets                       | 19(a) | 427                  | –                    |
| Intangible assets                         | 16    | 10,617               | 9,916                |
| <b>Total non-current assets</b>           |       | <b>642,067</b>       | <b>539,650</b>       |
| <b>Total assets</b>                       |       | <b>663,747</b>       | <b>548,492</b>       |
| <b>Current liabilities</b>                |       |                      |                      |
| Creditors and other liabilities           | 17    | 9,325                | 11,298               |
| Employee entitlements                     | 18    | 1,069                | 2,039                |
| Lease liabilities for right of use assets | 19    | 409                  | –                    |
| Deferred revenue                          | 20    | 61                   | 61                   |
| <b>Total current liabilities</b>          |       | <b>10,864</b>        | <b>13,398</b>        |
| <b>Non-current liabilities</b>            |       |                      |                      |
| Borrowings                                | 4     | 294,400              | 291,400              |
| Lease liabilities for right of use assets | 19    | 54                   | –                    |
| Deferred tax liability                    | 9 (d) | 46,722               | 15,213               |
| Deferred revenue                          | 20    | 384                  | 493                  |
| <b>Total non-current liabilities</b>      |       | <b>341,560</b>       | <b>307,106</b>       |
| <b>Total liabilities</b>                  |       | <b>352,424</b>       | <b>320,504</b>       |
| <b>Net assets</b>                         |       | <b>311,323</b>       | <b>227,988</b>       |
| <b>Equity</b>                             |       |                      |                      |
| Share capital                             | 21    | 227,293              | 221,702              |
| Retained earnings                         |       | (7,248)              | (18,568)             |
| Revaluation reserve                       | 3     | 91,278               | 24,854               |
| <b>Total equity</b>                       |       | <b>311,323</b>       | <b>227,988</b>       |

# Statement of changes in equity

For the year ended 30 June 2020

|                                       | Note | Share capital<br>\$'000 | Revaluation reserve<br>\$'000 | Retained earnings<br>\$'000 | Total<br>\$'000 |
|---------------------------------------|------|-------------------------|-------------------------------|-----------------------------|-----------------|
| <b>Balance as at 1 July 2018</b>      |      | <b>217,496</b>          | <b>24,854</b>                 | <b>(29,398)</b>             | <b>212,952</b>  |
| Profit for the year                   |      | –                       | –                             | 10,830                      | 10,830          |
| Issue of redeemable preference shares | 21   | 4,206                   | –                             | –                           | 4,206           |
| <b>Balance as at 30 June 2019</b>     |      | <b>221,702</b>          | <b>24,854</b>                 | <b>(18,568)</b>             | <b>227,988</b>  |
| 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           |
| <b>Balance as at 30 June 2020</b>     |      | <b>227,293</b>          | <b>91,278</b>                 | <b>(7,248)</b>              | <b>311,323</b>  |



# Statement of cash flows

For the year ended 30 June 2020

|   | Note      | Group 2020<br>\$'000 | Group 2019<br>\$'000 |
|---|-----------|----------------------|----------------------|
| <b>Cash flows from operating activities</b>         |           |                      |                      |
| Receipts from customers and other sources           |           | 76,264               | 59,378               |
| Interest received                                   |           | 44                   | 68                   |
| Payments to suppliers and employees                 |           | (26,662)             | (23,732)             |
| Interest and other finance costs paid               |           | (13,475)             | (13,831)             |
| Tax subvention receipts                             | 22        | 2,300                | 2,000                |
| <b>Net cash provided by operating activities</b>    | <b>23</b> | <b>38,471</b>        | <b>23,883</b>        |
| <b>Cash flows from investing activities</b>         |           |                      |                      |
| Payment for property, plant and equipment           |           | (29,113)             | (43,848)             |
| Proceeds from sale of property, plant and equipment |           | 6                    | –                    |
| Payment for intangible assets                       |           | (3,196)              | (4,572)              |
| Bank deposits > 3 months maturing                   | 13        | (10,000)             | –                    |
| <b>Net cash used in investing activities</b>        |           | <b>(42,303)</b>      | <b>(48,420)</b>      |
| <b>Cash flows from financing activities</b>         |           |                      |                      |
| Proceeds from borrowing                             | 22        | 3,000                | 20,500               |
| Proceeds from issue of shares                       | 22        | 5,591                | 4,206                |
| Repayment of lease liabilities                      | 19        | (726)                | –                    |
| <b>Net cash provided by financing activities</b>    |           | <b>7,865</b>         | <b>24,706</b>        |
| Net increase in cash and cash equivalents           |           | 4,033                | 169                  |
| Cash and cash equivalents at beginning of year      |           | 1,941                | 1,772                |
| <b>Cash and cash equivalents at end of year</b>     | <b>11</b> | <b>5,974</b>         | <b>1,941</b>         |

# Notes to the financial statements

For the year ended 30 June 2020

## 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 25 August 2020.

### 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   |                                 |      |

### New accounting standards and interpretations

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

NZ IFRS 16 Leases, became effective on 1 July 2019. The Company has not restated comparative information. As a result, the Company has changed its accounting policy as described below.



# Notes to the financial statements (cont.)

## For the year ended 30 June 2020

The Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all the risks and rewards incidental to ownership of the underlying asset to the Group. Under NZ IFRS 16, the Group recognises right of use assets and lease liabilities on balance sheet for most leases.

(i) Leases previously classified as operating leases under NZ IAS 17: Leases

On 1 July 2019, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate at that date.

Right of use assets were measured at an amount equal to the lease liability. The right of use assets are subsequently depreciated using the straight line method over the shorter of the estimated useful lives of the right of use assets or the remaining estimated lease term. The estimated useful lives of right of use assets are determined on the same basis as those of property and equipment.

The Group presents lease liabilities Note 19 and right of use assets in Note 19(a) separately on the face of the Statement of financial position. The Company used the following practical expedients when applying the new lease standard NZ IFRS 16 to leases previously classified as operating leases under NZ IAS 17:

- Applied a single discount rate to a portfolio of leases with similar characteristics; and
- Applied the exemption not to recognise right of use assets and liabilities for leases with less than 12 months of lease term.

(ii) Lease previously classified as finance leases under NZ IAS 17: Leases

The Group does not have any leases that were previously classified as finance leases under NZ IAS 17.

### 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 |
| Deferred tax recognition        | 9    | Income taxes                |

### Changes in accounting policies and disclosures

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

### Impact of COVID-19

The Group assesses that COVID-19 has had minimal impact on the operational results for the year ended 30 June 2020. Note 3 details the assumptions used in the valuation of property, plant and equipment and Note 28 provides further detail on the event and the impact on the Company.

# Key assets and liabilities

## 3. Property, plant & equipment

|  | UFB network<br>Layer 1<br>\$'000 | UFB network<br>Layer 2<br>\$'000 | Central<br>offices<br>\$'000 | Other<br>plant and<br>equipment<br>\$'000 | Total<br>\$'000 |
|--|----------------------------------|----------------------------------|------------------------------|---|-----------------|
| <b>Gross carrying amount</b>                   |                                  |                                  |                              |   |                 |
| Cost/valuation at 1 July 2018                  | 425,075                          | 38,816                           | 11,110                       | 1,705                                     | 476,706         |
| Additions                                      | 55,709                           | 3,611                            | 491                          | 222                                       | 60,033          |
| Disposals                                      | –                                | –                                | –                            | (7)                                       | (7)             |
| <b>Cost/valuation at 30 June 2019</b>          | <b>480,784</b>                   | <b>42,427</b>                    | <b>11,601</b>                | <b>1,920</b>                              | <b>536,732</b>  |
| Additions                                      | 33,158                           | 3,802                            | 90                           | 375                                       | 37,425          |
| Disposals                                      | –                                | –                                | –                            | (83)                                      | (83)            |
| Revaluation adjustments                        | 62,637                           | (10,930)                         | 1,432                        | –   | 53,139          |
| <b>Cost/valuation at 30 June 2020</b>          | <b>576,579</b>                   | <b>35,299</b>                    | <b>13,123</b>                | <b>2,212</b>                              | <b>627,213</b>  |
| <b>Accumulated depreciation and impairment</b> |                                  |                                  |                              |   |                 |
| Accumulated balance at 1 July 2018             | –                                | –                                | –                            | (698)                                     | (698)           |
| Depreciation expense                           | (10,605)                         | (7,651)                          | (242)                        | (412)                                     | (18,910)        |
| Disposals                                      | –                                | –                                | –                            | 6   | 6               |
| <b>Accumulated balance at 30 June 2019</b>     | <b>(10,605)</b>                  | <b>(7,651)</b>                   | <b>(242)</b>                 | <b>(1,104)</b>                            | <b>(19,602)</b> |
| Depreciation expense                           | (11,846)                         | (8,510)                          | (263)                        | (310)                                     | (20,929)        |
| Disposals                                      | –                                | –                                | –                            | 81  | 81              |
| Written back on revaluation adjustment         | 22,451                           | 16,161                           | 505                          | –   | 39,117          |
| <b>Accumulated balance at 30 June 2020</b>     | <b>–</b>                         | <b>–</b>                         | <b>–</b>                     | <b>(1,333)</b>                            | <b>(1,333)</b>  |
| Carrying amount at 30 June 2019                | 470,179                          | 34,776                           | 11,359                       | 816                                       | 517,130         |
| <b>Carrying amount at 30 June 2020</b>         | <b>576,579</b>                   | <b>35,299</b>                    | <b>13,123</b>                | <b>879</b>                                | <b>625,880</b>  |

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.



# Key assets and liabilities (cont.)

## 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 2020 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.

Deloitte considered that there would not be a long term impact of COVID-19 on Enable. Short to medium term economic impacts had been reflected in the cash flow forecast upon which the valuation was based.

The estimated value of UFB network is **\$625m**.

The sensitivity of the valuation of \$625m to relevant factors is summarised as follows:

| Range                    | Range        | Lower Value | Upper Value |
|--------------------------|--------------|-------------|-------------|
| Long run uptake %        | + or – 10.0% | \$547m      | \$703m      |
| Average revenue per user | + or – .5%   | \$580m      | \$674m      |
| WACC                     | + or – .5%   | \$584m      | \$670m      |

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 2020<br>\$'000 | Group 2019<br>\$'000 |
|--------------------------|----------------------|----------------------|
| Cost                     | 567,955              | 530,905              |
| Accumulated depreciation | (69,574)             | (49,032)             |
| Net book value           | <b>498,381</b>       | <b>481,873</b>       |

## 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.

# Key assets and liabilities (cont.)

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.

## Security

CIP has a first ranking security over the Group’s assets.

### 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 (cont.)

|   |               |
|---|---------------|
| <b>UFB Network assets:</b>  |               |
| 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  |
| Land is not depreciated.  |               |
| The residual value and useful life of an asset is reviewed, and adjusted, if applicable, annually.  |               |
| <i>Impairment of non-financial assets</i>   |               |
| 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 2020<br>\$'000 | Group 2019<br>\$'000 |
|----------------|------|----------------------|----------------------|
| Loan from CCHL | 22   | 294,400              | 291,400              |
| Net book value |      | 294,400              | 291,400              |

The Group has a subordinated loan agreement with CCHL. The loan is unsecured and the interest rate is a base rate reflecting CCHL's cost of borrowing plus a 1% margin. At 30 June 2020 the weighted average interest rate was 4.5% (2019: 4.9%). The line of credit under the loan agreement is available to the Group until March 2023 and totals \$300m (2019: \$300m).

|  |
|--|
| <b>Accounting policy – borrowings</b>  |
| 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 2020<br>\$'000 | Group 2019<br>\$'000 |
|----------------------------------|------|----------------------|----------------------|
| Gross telecommunications revenue | (i)  | 67,729               | 54,566               |
| Sale of inventory                |      | 2,000                | 2,486                |
| Other                            |      | 7,256                | 1,716                |
|                                  |      | 76,985               | 58,768               |

(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 2020<br>\$'000 | Group 2019<br>\$'000 |
|--|----------------------|----------------------|
| Gains on disposal of property, plant and equipment | 6                    | –                    |
|  | 6                    | –                    |

|  |
|--|
| <b>Accounting policy – revenue</b>   |
| 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 2020<br>\$'000 | Group 2019<br>\$'000 |
|-------------------------------------|-------|----------------------|----------------------|
| Audit fees                          | 6 (a) | 153                  | 163                  |
| Directors' fees                     |       | 362                  | 358                  |
| Net foreign exchange losses/(gains) |       | 10                   | 15                   |
| Operating leases                    |       | –                    | 980                  |
| Employee costs                      | 6 (b) | 6,075                | 6,568                |
| Other                               |       | 17,806               | 12,525               |
|                                     |       | 24,406               | 20,609               |



# Profit and loss information (cont.)

## 6 (a). Remuneration of auditors

|                                   | Note     | Group 2020<br>\$'000 | Group 2019<br>\$'000 |
|-----------------------------------|----------|----------------------|----------------------|
| <b>Audit New Zealand</b>          |          |                      |                      |
| Audit of the financial statements |          | 136                  | 125                  |
| Regulatory audit work             |          | 16                   | 14                   |
| <b>Total</b>                      |          | <b>152</b>           | <b>139</b>           |
| <b>Other auditor – KPMG</b>       |          | <b>1</b>             | <b>24</b>            |
| Assurance-related                 |          | 1                    | 24                   |
| <b>Total auditor remuneration</b> | <b>6</b> | <b>153</b>           | <b>163</b>           |

## 6 (b). Employee costs

|  | Note     | Group 2020<br>\$'000 | Group 2019<br>\$'000 |
|--|----------|----------------------|----------------------|
| <b>Employee costs</b>                                    |          |                      |                      |
| Salaries and wages                                       |          | 13,575               | 13,780               |
| Less capitalised salaries and wages                      |          | (6,901)              | (7,259)              |
| Net salaries and wages                                   |          | 6,674                | 6,521                |
| Defined contribution plan employer contributions         |          | 371                  | 374                  |
| Increase/(decrease) in employee entitlements/liabilities |          | (970)                | (327)                |
| <b>Total employee costs</b>                              | <b>6</b> | <b>6,075</b>         | <b>6,568</b>         |

## 7. Depreciation, amortisation and impairment

|                                     | Note  | Group 2020<br>\$'000 | Group 2019<br>\$'000 |
|-------------------------------------|-------|----------------------|----------------------|
| Depreciation of non-current assets  | 3     | 20,929               | 18,910               |
| Amortisation of intangible assets   | 16    | 2,495                | 1,561                |
| Depreciation of right of use assets | 19(a) | 762                  | –                    |
|                                     |       | <b>24,186</b>        | <b>20,471</b>        |

## 8. Finance income and costs

|                               | Note | Group 2020<br>\$'000 | Group 2019<br>\$'000 |
|-------------------------------|------|----------------------|----------------------|
| <b>Finance income</b>         |      |                      |                      |
| Interest – bank               |      | 76                   | 59                   |
| Interest – other              |      | 5                    | 9                    |
|                               |      | <b>81</b>            | <b>68</b>            |
| <b>Financing costs</b>        |      |                      |                      |
| Interest paid/payable to CCHL | 22   | 13,463               | 13,951               |
| Interest on lease liabilities | 19   | 36                   | –                    |
|                               |      | <b>13,499</b>        | <b>13,951</b>        |

# Profit and loss information (cont.)

## 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 2020<br>\$'000 | Group 2019<br>\$'000 |
|---|----------------------|----------------------|
| Current tax credit                        | (1,716)              | (2,000)              |
| Adjustments to current tax of prior years | (300)                | 582                  |
| Deferred tax expense/(credit)             | 5,677                | (5,607)              |
| <b>Total income tax expense/(credit)</b>  | <b>3,661</b>         | <b>(7,025)</b>       |

### 9 (b). Reconciliation of prima facie income tax

|   | Group 2020<br>\$'000 | Group 2019<br>\$'000 |
|---|----------------------|----------------------|
| Profit /(loss) before tax   | 14,981               | 3,805                |
| Tax at statutory rate of 28%  | 4,195                | 1,065                |
| Tax loss not recognised as deferred tax asset                                       | –                    | (1,420)              |
| Previously unrecognised and unused tax losses now recognised as deferred tax assets | –                    | (7,574)              |
| Over provision of income tax in previous year                                       | (534)                | 904                  |
| <b>Income tax credit</b>  | <b>3,661</b>         | <b>(7,025)</b>       |

### 9 (c). Current tax asset

|                         | Group 2020<br>\$'000 | Group 2019<br>\$'000 |
|-------------------------|----------------------|----------------------|
| Opening balance         | 2,000                | 2,582                |
| Tax asset for the year  | 2,016                | 1,418                |
| Tax subvention receipts | (2,300)              | (2,000)              |
| <b>Closing balance</b>  | <b>1,716</b>         | <b>2,000</b>         |



# Profit and loss information (cont.)

## 9 (d). Deferred taxation

|                                      | 30 June 2019              |                       |                           | 30 June 2020          |                                      |                           |
|--------------------------------------|---------------------------|-----------------------|---------------------------|-----------------------|--------------------------------------|---------------------------|
|                                      | Opening balance<br>\$'000 | Profit/loss<br>\$'000 | Closing balance<br>\$'000 | Profit/loss<br>\$'000 | Other comprehensive income<br>\$'000 | Closing balance<br>\$'000 |
| <b>Deferred tax liabilities:</b>     |                           |                       |                           |                       |                                      |                           |
| Property, plant and equipment        | 21,286                    | 1,665                 | 22,951                    | 981                   | 25,832                               | 49,764                    |
|                                      | <b>21,286</b>             | <b>1,665</b>          | <b>22,951</b>             | <b>981</b>            | <b>25,832</b>                        | <b>49,764</b>             |
| <b>Deferred tax assets:</b>          |                           |                       |                           |                       |                                      |                           |
| Provisions/employee entitlements     | 464                       | (311)                 | 153                       | 48                    | –                                    | 201                       |
| Doubtful debts and impairment losses | 2                         | 9                     | 11                        | 17                    | –                                    | 28                        |
| Tax losses                           | –                         | 7,574                 | 7,574                     | (4,761)               | –                                    | 2,813                     |
|                                      | <b>466</b>                | <b>7,272</b>          | <b>7,738</b>              | <b>(4,696)</b>        | <b>–</b>                             | <b>3,042</b>              |
| <b>Net deferred tax liability</b>    | <b>20,820</b>             | <b>(5,607)</b>        | <b>15,213</b>             | <b>5,677</b>          | <b>25,832</b>                        | <b>46,722</b>             |

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 2020 tax year is \$1.7m (2019: \$2.0m), 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 \$2.3m (2019: \$2.0m). 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.

The Group reviewed its ability to utilise previous tax losses from its change in shareholding as part of the 2016 re-organisation. The Company considers it is probable to accept the carry forward of the pre-2017 tax losses. The company recognised additional losses with a tax impact of \$8.26m. Some of these losses have been utilised in the current year and the residual balance has been recognised in deferred tax.

# Profit and loss information (cont.)

## 9 (e). Imputation credits

The amount of imputation credits available for use in subsequent reporting periods by the Group is \$485k (2019: \$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 asreported 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.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 \$300m until March 2023, which CCHL have indicated will be renewed. Following the 2016 re-organisation, CCHL passes on funding to the Group received from CIP for stage sale settlements, equivalent to the amounts that would have been provided directly by CIP to ENL under the original UFB contract. This funding is in the form of redeemable preference shares or debt.

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

#### Contractual maturity analysis of financial assets and financial liabilities

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

|                                     | Balance sheet<br>\$'000 | Contractual cash flows<br>\$'000 | Less than 1 year<br>\$'000 | 1-2 years<br>\$'000 | 2-5 years<br>\$'000 | 5 years +<br>\$'000 |
|-------------------------------------|-------------------------|----------------------------------|----------------------------|---------------------|---------------------|---------------------|
| <b>30 June 2020</b>                 |                         |                                  |                            |                     |                     |                     |
| Cash, cash equivalents and deposits | 15,974                  | 18,974                           | 18,974                     | –                   | –                   | –                   |
| 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)           |
|                                     | <b>(285,985)</b>        | <b>(323,477)</b>                 | <b>(60,203)</b>            | <b>(8,715)</b>      | <b>(46,589)</b>     | <b>(207,970)</b>    |
| <b>30 June 2019</b>                 |                         |                                  |                            |                     |                     |                     |
| Cash, cash equivalents and deposits | 1,941                   | 1,941                            | 1,941                      | –                   | –                   | –                   |
| Trade and other receivables         | 1,829                   | 1,829                            | 1,829                      | –                   | –                   | –                   |
| Creditors and other payables        | (10,035)                | (10,035)                         | (10,035)                   | –                   | –                   | –                   |
| Borrowings from CCHL                | (291,400)               | (360,174)                        | (15,334)                   | (14,623)            | (98,016)            | (232,201)           |
|                                     | <b>(297,665)</b>        | <b>(366,439)</b>                 | <b>(21,599)</b>            | <b>(14,623)</b>     | <b>(98,016)</b>     | <b>(232,201)</b>    |

# Financial risk management (cont.)

## 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<br>Group 2020<br>\$'000 | Effect on equity<br>Group 2019<br>\$'000 | Effect on profit<br>Group 2020<br>\$'000 | Effect on profit<br>Group 2019<br>\$'000 |
|-------------------------------|--|--|--|--|
| 1% increase in interest rates | (1,657)                                  | (1,760)                                  | (1,657)                                  | (1,760)                                  |
| 1% decrease in interest rates | 1,657                                    | 1,760                                    | 1,657                                    | 1,760                                    |

# Financial risk management (cont.)

## 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 ANZ and BNZ, registered New Zealand banks.

### Ageing of receivables

|                            | Note | Group 2020<br>\$'000 | Group 2019<br>\$'000 |
|----------------------------|------|----------------------|----------------------|
| <b>Gross receivables</b>   |      |                      |                      |
| Not past due               |      | 1,354                | 1,121                |
| Past due 0-30 days         |      | 98                   | 448                  |
| Past due 31-60 days        |      | 26                   | 100                  |
| Past due more than 60 days |      | 51                   | 166                  |
|                            | 12   | <b>1,529</b>         | <b>1,835</b>         |
| <b>Impairment</b>          |      |                      |                      |
| Not past due               |      | (17)                 | –                    |
| Past due 0-30 days         |      | (15)                 | –                    |
| Past due 31-60 days        |      | (18)                 | –                    |
| Past due more than 60 days |      | (51)                 | (39)                 |
|                            | 12   | <b>(101)</b>         | <b>(39)</b>          |
| Gross trade receivables    |      | 1,529                | 1,835                |
| Individual impairment      |      | –                    | –                    |
| Collective impairment      |      | (101)                | (39)                 |
| Trade receivables (net)    |      | <b>1,428</b>         | <b>1,796</b>         |

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 2020<br>\$'000 | Group 2019<br>\$'000 |
|---------------|----------------------|----------------------|
| Cash balances | 5,974                | 1,941                |
|               | <b>5,974</b>         | <b>1,941</b>         |

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 2020<br>\$'000 | Group 2019<br>\$'000 |
|--|--------|----------------------|----------------------|
| <b>Current</b>   |        |                      |                      |
| Trade receivables                                      |        | 1,521                | 1,835                |
| Related party receivables                              | 22     | 8                    | –                    |
|  | 10 (c) | <b>1,529</b>         | <b>1,835</b>         |
| Prepayments  |        | 460                  | 640                  |
| Interest receivable                                    |        | 36                   | –                    |
| GST receivable   |        | –                    | 33                   |
|  |        | <b>2,025</b>         | <b>2,472</b>         |
| Provision for impairment – trade receivables           | 10 (c) | (101)                | (39)                 |
| Total trade debtors, other receivables and prepayments |        | <b>1,924</b>         | <b>2,433</b>         |

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 (cont.)

## 13. Other financial assets

|   | Group 2020<br>\$'000 | Group 2019<br>\$'000 |
|---|----------------------|----------------------|
| <b>Current</b>                                  |                      |                      |
| Bank deposits with maturities of 4 to 12 months | 10,000               | -                    |
|   | <b>10,000</b>        | -                    |

## 14. Inventories

|                | Group 2020<br>\$'000 | Group 2019<br>\$'000 |
|----------------|----------------------|----------------------|
| <b>Current</b> |                      |                      |
| Inventory      | 2,066                | 2,468                |
|                | <b>2,066</b>         | <b>2,468</b>         |

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 2020<br>\$'000 | Group 2019<br>\$'000 |
|--|----------------------|----------------------|
| <b>Current</b>                               |                      |                      |
| Opening balance                              | 12,604               | 28,787               |
| Additions                                    | 29,589               | 43,137               |
| Transferred to property, plant and equipment | (37,050)             | (59,320)             |
| Total construction contract work in progress | <b>5,143</b>         | <b>12,604</b>        |

# Other assets and liabilities (cont.)

## 16. Intangible assets

|  | Goodwill<br>\$'000 | Software<br>\$'000 | Work in progress<br>\$'000 | Total<br>\$'000 |
|--|--------------------|--------------------|----------------------------|-----------------|
| <b>Gross carrying amount</b>                   |                    |                    |                            |                 |
| Cost/valuation at 1 July 2018                  | 848                | 6,102              | 2,733                      | 9,683           |
| Additions                                      | -                  | -                  | 4,572                      | 4,572           |
| Transfers                                      | -                  | 5,300              | (5,300)                    | -               |
| Disposals                                      | -                  | (1,378)            | -                          | (1,378)         |
| <b>Cost/valuation at 30 June 2019</b>          | <b>848</b>         | <b>10,024</b>      | <b>2,005</b>               | <b>12,877</b>   |
| Additions                                      | -                  | -                  | 3,196                      | 3,196           |
| Transfers                                      | -                  | 3,652              | (3,652)                    | -               |
| <b>Cost/valuation at 30 June 2020</b>          | <b>848</b>         | <b>13,676</b>      | <b>1,549</b>               | <b>16,073</b>   |
| <b>Accumulated depreciation and impairment</b> |                    |                    |                            |                 |
| Accumulated balance at 1 July 2018             | -                  | (2,776)            | -                          | (2,776)         |
| Amortisation expense                           | -                  | (1,561)            | -                          | (1,561)         |
| Disposals                                      | -                  | 1,376              | -                          | 1,376           |
| <b>Accumulated balance at 30 June 2019</b>     | <b>-</b>           | <b>(2,961)</b>     | <b>-</b>                   | <b>(2,961)</b>  |
| Amortisation expense                           | -                  | (2,495)            | -                          | (2,495)         |
| <b>Accumulated balance at 30 June 2020</b>     | <b>-</b>           | <b>(5,456)</b>     | <b>-</b>                   | <b>(5,456)</b>  |
| Carrying amount at 30 June 2019                | 848                | 7,063              | 2,005                      | 9,916           |
| Carrying amount at 30 June 2020                | 848                | 8,220              | 1,549                      | 10,617          |

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 (2019: 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 (cont.)

## 17. Creditors and other liabilities

|                                     | Note | Group 2020<br>\$'000 | Group 2019<br>\$'000 |
|-------------------------------------|------|----------------------|----------------------|
| Trade payables and accrued expenses |      | 8,303                | 9,647                |
| GST payable                         |      | 371                  | –                    |
| Income in advance                   |      | 302                  | 1,263                |
| Interest payable to CCHL            | 22   | 349                  | 388                  |
|                                     |      | <b>9,325</b>         | <b>11,298</b>        |

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 2020<br>\$'000 | Group 2019<br>\$'000 |
|---------------------|----------------------|----------------------|
| <b>Current</b>      |                      |                      |
| Accrued pay         | 437                  | 651                  |
| Annual leave        | 632                  | 584                  |
| Employee incentives | –                    | 804                  |
|                     | <b>1,069</b>         | <b>2,039</b>         |

# Other assets and liabilities (cont.)

## 19. Leases

|   | Group 2020<br>\$'000 |
|---|----------------------|
| Opening balance   | 1,064                |
| Additions   | 125                  |
| Repayment of lease liabilities  | (726)                |
| Closing balance   | <b>463</b>           |
| Current portion   | 409                  |
| Non-current portion   | 54                   |
|   | <b>463</b>           |
| <b>Reconciliation operating lease commitments to NZ IFRS 16 Lease opening balance</b> |                      |
| Operating lease commitments outstanding as at 30 June 2019                            | 1,104                |
| Discount percentage at weighted average 4.53%   | (40)                 |
| Lease liabilities recognised at 1 July 2019   | <b>1,064</b>         |



# Other assets and liabilities (cont.)

## 19 (a). Right of use assets

|   | Building<br>\$'000 | Plant &<br>equipment<br>\$'000 | Total<br>\$'000 |
|---|--------------------|--------------------------------|-----------------|
| Cost at 1 July 2019                     | 893                | 171                            | 1,064           |
| Additions                               | –                  | 125                            | 125             |
| As at 30 June 2020                      | 893                | 296                            | 1,189           |
| Accumulated Depreciation at 1 July 2019 | –                  | –                              | –               |
| Depreciation on right of use asset      | (628)              | (134)                          | (762)           |
| As at 30 June 2020                      | (628)              | (134)                          | (762)           |
| Carrying Amount at 30 June 2020         | 265                | 162                            | 427             |

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%.

### 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 2020<br>\$'000 | Group 2019<br>\$'000 |
|---------------------|----------------------|----------------------|
| Current portion     | 61                   | 61                   |
| Non-current portion | 384                  | 493                  |
|                     | <b>445</b>           | <b>554</b>           |

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<br>shares<br>\$'000 | Redeemable<br>Preference<br>shares<br>\$'000 | Total<br>shares<br>\$'000 |
|---------------------------|------|------------------------------|--|---------------------------|
| Balance at 1 July 2018    |      | 67,500                       | 149,996                                      | 217,496                   |
| Shares issued during year |      | –                            | 4,206  | 4,206                     |
| Balance at 1 July 2019    |      | 67,500                       | 154,202                                      | 221,702                   |
| Shares issued during year | 22   | –                            | 5,591  | 5,591                     |
| Balance at 30 June 2020   |      | <b>67,500</b>                | <b>159,793</b>                               | <b>227,293</b>            |

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

ESL issued 5,591,500 fully paid redeemable preference shares to CCHL in 2020. 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 (2019: 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.

# Other disclosures (cont.)

## 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 2020<br>\$'000 | Group 2019<br>\$'000 |
|--|----------------------|----------------------|
| Short term employee benefits (inc. salaries and Directors’ fees) | 2,783                | 3,241                |
| KiwiSaver employer contributions                                 | 94                   | 84                   |
| <b>Total</b>   | <b>2,877</b>         | <b>3,325</b>         |

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

Key management personnel of the Group did not make any purchases of goods and services from either ESL or ENL during the period.

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 2020 (2019: \$25m).

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.

# Other disclosures (cont.)

## Significant transactions and balances with related entities

|  | Note  | Group 2020<br>\$'000 | Group 2019<br>\$'000 |
|--|-------|----------------------|----------------------|
| <b>Transactions during the year</b>                                |       |                      |                      |
| Issue of equity to CCHL  | (i)   | 5,591                | 4,206                |
| Borrowed from CCHL   | (ii)  | 3,000                | 20,500               |
| Interest paid to CCHL  | (iii) | 13,015               | 13,852               |
| Subvention payments from CCC tax group                             | (iv)  | 2,300                | 2,000                |
| Sales to CCC   |       | 26                   | 30                   |
| Sales to City Care Ltd   |       | –                    | 1                    |
| Sales to Christchurch International Airport Ltd                    |       | –                    | 13                   |
| Purchases from Crown, CCC and controlled entities                  |       | 1,081                | 1,015                |
| Purchases from Christchurch International Airport Ltd for services |       | –                    | 1                    |
| Purchases from City Care Ltd for services                          |       | 14                   | 10                   |
| Purchases from Connetics Ltd for network-related services          |       | 3                    | –                    |
| Purchases from Orion Ltd for network-related services              |       | 5                    | –                    |
| Purchases from Vbase Ltd for services                              |       | 27                   | –                    |
| <b>Balances at end of year</b>                                     |       |                      |                      |
| Loan balance due to CCHL   | (v)   | 294,400              | 291,400              |
| Interest payable to CCHL   | (vi)  | 349                  | 388                  |
| Accounts payable to CCC  |       | 14                   | 13                   |
| Accounts payable to City Care Ltd                                  |       | 16                   | –                    |
| Accounts receivable from CCC                                       |       | 8                    | 2                    |

- (i) The Group issued \$5.6m of redeemable preference shares during the year as per Note 21.
- (ii) The Group borrows from CCHL under a subordinated loan agreement, as outlined in Note 4, to fund its operations.
- (iii) Interest is charged on the CCHL loan at CCHL’s weighted average cost of borrowing, plus a fixed margin of 1%.
- (iv) 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 2020 subvention payments of \$2.3m was received from subsidiaries of CCHL - Christchurch International Airport Limited (\$916,000), Eco Central Limited (\$644,000) and Lyttelton Port Company Limited (\$740,000).
- (v) The loan balance due to CCHL at balance date is outlined in Note 4.
- (vi) Interest is payable to CCHL on a quarterly basis, and the balance accrued at balance date is included in trade creditors.



# Other disclosures (cont.)

## 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 2020<br>\$'000 | Group 2019<br>\$'000 |
|---|------|----------------------|----------------------|
| Profit for the year   |      | 11,320               | 10,830               |
| <b>Add/(less) non-cash items</b>  |      |                      |                      |
| Depreciation, amortisation and impairment expense                       | 3,16 | 24,186               | 20,471               |
| Deferred tax charged/(credited) to income                               | 9(d) | 5,677                | (5,607)              |
| Net foreign exchange losses   |      | 10                   | 15                   |
|   |      | 29,873               | 14,879               |
| <b>Add/(less) items classified as investing or financing activities</b> |      |                      |                      |
| (Gain)/loss on disposal of non-current assets                           |      | (6)                  | –                    |
| Other   |      | (6)                  | (14)                 |
|   |      | (12)                 | (14)                 |
| <b>Add/(less) movement in working capital items</b>                     |      |                      |                      |
| Trade and other receivables, prepayments – current                      |      | 509                  | 1,432                |
| Inventories and work in progress – current                              |      | (451)                | 1,132                |
| Creditors and other payables  |      | (2,082)              | (4,631)              |
| Employee entitlements – current   |      | (970)                | (5)                  |
| Employee entitlements – non-current                                     |      | –                    | (322)                |
| Income tax  |      | 284                  | 582                  |
|   |      | (2,710)              | (1,812)              |
| Net cash flows from operating activities                                |      | 38,471               | 23,883               |

# Other disclosures (cont.)

## 24. Classification of assets and liabilities

|   | Group 2020<br>\$'000 | Group 2019<br>\$'000 |
|---|----------------------|----------------------|
| <b>Loans and receivables</b>                            |                      |                      |
| Cash and cash equivalents                               | 5,974                | 1,941                |
| Trade and other receivables                             | 1,924                | 2,433                |
|   | <b>7,898</b>         | <b>4,374</b>         |
| <b>Financial liabilities measured at amortised cost</b> |                      |                      |
| Creditors and other payables                            | 9,325                | 11,298               |
| Lease liabilities for right of use assets               | 409                  | –                    |
| Borrowings from CCHL                                    | 294,400              | 291,400              |
|   | <b>304,134</b>       | <b>302,698</b>       |

# Other disclosures (cont.)

## 25. Statement of service performance

The Statement of Intent (Sol) 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 Sol.

|   | Unit   | Actual Group 2020             | Target Group 2020 |
|---|--------|-------------------------------|-------------------|
| <b>Financial performance targets</b>                      |        |                               |                   |
| Gross telecommunications revenue                          | \$'000 | 67,729                        | 68,900            |
| Total revenue   | \$'000 | 76,985                        | 68,900            |
| EBITDA  | \$'000 | 52,585                        | 51,500            |
| Net profit after tax                                      | \$'000 | 11,320                        | 13,300            |
| <b>Operational performance targets</b>                    |        |                               |                   |
| Number of connections (cumulative)                        | Number | 117,690                       | 123,838           |
| Operational service level agreement achievement           | %      | 98%                           | >95%              |
| Total network availability                                | %      | 99.997%                       | >99.977%          |
| <b>Health and safety performance targets</b>              |        |                               |                   |
| TRIFR (per million hours)                                 | Number | 13.20                         | <=3.0             |
| Serious harm injuries                                     | Number | 1                             | Nil               |
| Site audits and safety observations conducted             | Number | 7,273                         | >1,000            |
| <b>Sustainable business practices targets</b>             |        |                               |                   |
| Direct operations carbon and waste reduction targets sets |        | Targets published in 2021 Sol | Targets published |

Variances between the actual results for the year ended 30 June 2020 and the targets contained within the Sol are as follows.

### Financial performance targets

Gross telecommunications revenue represents all sales to retail service providers. The negative variance is result of connections falling short of target. The total revenue target was achieved due to the increase in other revenue. EBITDA represents Group profitability prior to the deduction of net interest, tax, depreciation, and amortisation expenses. Net profit after tax was \$2m less than the target of \$13.3m, due to the changes in timing of tax recognition.

### Operational performance targets

We connected 16,419 new customers resulting in a connections (cumulative) total 6,148 below target. This was because of continued uncertainty in uptake rates in the late part of the market, the increased focus on fixed wireless services by some internet providers and the COVID-19 pandemic restricting connection activity for several weeks. Operational service levels (with 98% of customers connected on time) performance was a result of close management of our connection field force, and 99.997% total network availability resulting from careful management of our network assets.

### TRIFR per million hours / Serious harm injuries / Site audits

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 TRIFR (per million hours) of <=3.0. A deeper understanding of contractors' work activities and Health & Safety practices has created greater visibility of incidents, leading to a higher than target TRIFR. Our commitment to achieving our targets is reflected in the high number of site audits and safety observations undertaken.

# Unrecognised items

## Sustainable business practices targets

We finalised our environmental sustainability goals for the next four years and these were published in our 2021 Sol.

## 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

As part of the 2016 re-organisation, the Group has provided a guarantee of CIP's loan to CCHL. At 30 June 2020 this loan amounted to \$159.8m (2019: \$154.2m).

The Group had no other material contingent liabilities as at 30 June 2020 (2019: \$nil).

## 28. Impact of COVID-19

On 31 December 2019 China alerted the World Health Organisation to the outbreak of a virus, now commonly referred to as COVID-19, with the outbreak declared a pandemic on 11 March 2020. The New Zealand Government declared a State of National Emergency on 25 March 2020. The next day the country was put into Alert Level 4 and effectively lockdown. On 28 April 2020, the Alert Level was reduced to Level 3, and then further reduced to Level 2 on 14 May 2020. The country moved to Level 1 on 9 June 2020.

Our business activity during Level 4 was restricted to emergency works response, some essential preventative maintenance and high priority capital work. Most of our staff were working from home. During Level 2, most of our business activity resumed with the required health and safety protocols in place and our staff returned to their usual place of work. Level 1 predominantly saw a return to pre COVID-19 activity.

There has been minimal impact on the Group's operational result for FY20. Gross telecommunication service revenue for the last quarter of 2020 was only slightly reduced and the network maintenance and other expenditure impacts were negligible.

Note 3 details the impact of COVID-19 on our revaluation of property, plant and equipment as at 30 June 2020. Deloitte assessed that COVID-19 is not expected to have a long term impact on Enable which would materially influence their valuation.

The lockdown and potential future impacts of COVID-19 may negatively impact the Company's future financial performance and position, however the Company assesses that the impact will not be substantial.

## 29. Events after the balance sheet date

Other than the events relating to COVID-19 described in Note 28, 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.

# Governance and related information (cont.)

### Conduct of Directors

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

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

A Director may, with the 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 every two years.

# Governance and related information (cont.)

## 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 2020 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         |
| Mark Petrie                         | 7,377         | 41,803         | 49,180         |
| Scott Weenink                       | 7,771         | 44,034         | 51,805         |
| Brett Gamble (ceased 8 April 2020)  | 5,533         | 31,352         | 36,885         |
| Bill Luff (ceased 31 December 2019) | 3,820         | 21,645         | 25,465         |
|                                     | <b>54,254</b> | <b>307,441</b> | <b>361,695</b> |

### 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.

|                                      | Note | \$'000       |
|--------------------------------------|------|--------------|
| Fixed remuneration                   |      | 583          |
| Annual leave/Kiwisaver contributions |      | 100          |
| Performance-based                    | (i)  | 490          |
| <b>Total</b>                         |      | <b>1,173</b> |

Notes:

- (i) Performance based remuneration includes a short-term incentive payment of \$170,291 relating to the prior year and a payment relating to the long term incentive scheme established in 2012 of \$319,911. The short-term incentive is set at a maximum of 30% of base remuneration and is linked to the achievement of targets in health and safety, customer satisfaction, revenue growth and free cash flow performance. The long-term incentive is linked to the achievement of financial return targets over a longer period.

# Governance and related information (cont.)

## 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 2020:

| \$                    | Number of employees in the year ended 30 June 2020 (Based on actual payment) |
|-----------------------|--|
| 100,000 – 109,999     | 6  |
| 110,000 – 119,999     | 2  |
| 120,000 – 129,999     | 7  |
| 130,000 – 139,999     | 3  |
| 140,000 – 149,999     | 8  |
| 150,000 – 159,999     | 8  |
| 170,000 – 179,999     | 1  |
| 180,000 – 189,999     | 2  |
| 230,000 – 239,999     | 1  |
| 240,000 – 249,999     | 2  |
| 280,000 – 289,999     | 1  |
| 360,000 – 369,999     | 2  |
| 1,170,000 – 1,179,999 | 1  |

## One-off remuneration actions taken in response to COVID-19

For the year beginning 1 July 2020, the business decided a zero dollar increase for all Board, Executive and other employee remuneration. In addition, the CEO and Executive Team decided not to accept short-term incentive payments for the year ending 30 June 2020. These one-off remuneration actions are in response to COVID-19 and the economic impact on our community.



# Governance and related information (cont.)

## 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 2020.

| Director                    | Directors' Interests   |
|-----------------------------|--|
| <b>Mark Bowman</b><br>Chair | <b>Director of</b> Enable Networks Limited, Comrad Holdings Limited, Claremont Investments Limited, Napoleon Investments Limited, Tourplan Holdings Limited<br><b>Director &amp; Shareholder of</b> Magic Memories Group Holdings Limited, Scarlett Hydraulics Limited<br><b>Trustee of</b> MJ & RM Bowman Family Trust  |
| <b>Craig Elliott</b>        | <b>Director of</b> Enable Networks Limited, ezyVet Software, Magic Memories Group Holdings Limited<br><b>Council Member of</b> Yosemite Conservation Council<br><b>Trustee of</b> Elliott Family Trust   |
| <b>Kathy Meads</b>          | <b>Director of</b> Enable Networks Limited, Port Taranaki Limited, Magic Memories Group Holdings Limited, NZPM Group Limited, Shipowners' Mutual Protection and Indemnity Association (Luxembourg), Transpower New Zealand Limited<br><b>Director &amp; Shareholder of</b> Kathy Meads Limited<br><b>Trustee of</b> Christchurch Symphony Orchestra Trust                              |
| <b>Mark Petrie</b>          | <b>Director of</b> Enable Networks Limited, DARC Technologies Limited<br><b>Director and Shareholder of</b> CommArc Consulting Limited, De Novo Partners Limited, KMCH Holdings Limited (corporate trustee of the Petrie Investment Trust), Mark Petrie Investments Limited<br><b>Trustee of</b> Mark and Kelly Petrie Family Trust, Mark Petrie Family Trust, Petrie Investment Trust |
| <b>Scott Weenink</b>        | <b>Director of</b> Enable Networks Limited, Asset Finance Limited, Escalate Investments Limited, Generate Funds Limited, Generate Investment Holdings Limited, Generate Investment Management Limited, Modica Group Limited, New Zealand Cricket Players Association, Xceda Capital Group Limited<br><b>Officer of</b> Modica Group  |

| Former Directors                               |
|--|
| <b>Brett Gamble</b> (ceased 8 April 2020)      |
| <b>Craig Elliott</b> (ceased 31 December 2019) |

# Governance and related information (cont.)

| Attendances of ESL Board and Committee meetings during the 2020 financial year | ARC | HS&P | FTP | Board |
|--|-----|------|-----|-------|
| Total number of meetings   | 4   | 3    | 6   | 8     |
| Mark Bowman  | 1   | 3    | 5   | 8     |
| Craig Elliott  | N/A | N/A  | 6   | 8     |
| Kathy Meads  | 4   | N/A  | N/A | 8     |
| Mark Petrie  | N/A | N/A  | 6   | 8     |
| Scott Weenink  | N/A | 3    | N/A | 8     |
| Brett Gamble (ceased 8 April 2020)   | 3   | N/A  | N/A | 5     |
| Bill Luff (ceased 31 December 2019)  | 2   | 2    | N/A | 3     |

| Attendances of ENL Board and Committee meetings during the 2020 financial year | ARC | HS&P | FTP | Board |
|--|-----|------|-----|-------|
| Total number of meetings   | 4   | 3    | 6   | 8     |
| Mark Bowman  | 1   | 3    | 5   | 8     |
| Craig Elliott  | N/A | N/A  | 6   | 8     |
| Kathy Meads  | 4   | N/A  | N/A | 8     |
| Mark Petrie  | N/A | N/A  | 6   | 8     |
| Scott Weenink  | N/A | 3    | N/A | 8     |
| Brett Gamble (ceased 8 April 2020)   | 3   | N/A  | N/A | 5     |
| Bill Luff (ceased 31 December 2019)  | 2   | 2    | N/A | 3     |

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 Christchurch City Missions, Diversity Works, Heart Kids NZ, Kids Can and St John of \$2,500 in total.

### Dividends

No dividends were paid 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 2020

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 35 to 63, and 65 that comprise the statement of financial position as at 30 June 2020, 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 page 64.

In our opinion:

- the financial statements of the Group on pages 35 to 63, and 65:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2020; 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 page 64 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 2020.

Our audit was completed on 25 August 2020. 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.

## Emphasis of matter – Impact of COVID-19

Without modifying our opinion, we draw attention to the disclosures about the impact of COVID-19 on the Group as set out in note 28 of the financial statements and on page 64 of the performance information.

## 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 (cont.)

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.



# Independent Auditor's Report (cont.)

AUDIT NEW ZEALAND  
Mana Arotake Aotearoa

- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtain sufficient appropriate audit evidence regarding the financial statements and the performance information of the entities or business activities within the Group to express an opinion on the consolidated financial statements and the consolidated performance information. We are responsible solely for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

Our responsibilities arise from the Public Audit Act 2001.

## Other information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 2 to 34, 66 to 71 and 76 to 77, 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 2020 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**  
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New Zealand

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Christchurch 8149  
New Zealand  
Web: [www.enable.net.nz](http://www.enable.net.nz)  
Email: [admin@enable.net.nz](mailto: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



NO NO

