STATEMENT OF INTENT
FOR YEAR ENDING 30 JUNE 2017

DIRECTORY

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INTRODUCTION

This 2017 Statement of Intent (**SoI**) is submitted by the Board of Directors of Enable Services Limited (**ESL**) and is prepared in accordance with Section 64(1) of the Local Government Act 2002.

ESL, which also owns 100% of Enable Networks Limited (**ENL**), together the Enable group (**Enable**), are both council-controlled trading organisations (**CCTO**) for the purposes of the Local Government Act 2002 and this SoI covers the activities of Enable.

The SoI specifies the objectives, the nature and scope of the activities to be undertaken, and the performance targets and other measures by which the performance of Enable may be judged in relation to its objectives, amongst other requirements.

The process of negotiation and determination of an acceptable SoI is a public and legally-required expression of the accountability relationship between the company and its shareholder, Christchurch City Holdings Limited (**CCHL**). The SoI is reviewed annually with CCHL and covers a three year period.

OBJECTIVES

Enable's vision is

Our fibre network is the essential enabler of an economically and socially vibrant, connected, innovative and globally competitive greater Christchurch.

Enable will drive the realisation of this vision by:

- Successfully delivering the Ultra-Fast Broadband (**UFB**) network for greater Christchurch, consistent with Crown requirements and in a way that will create world leading 'open access' UFB capability for every home and business within Enable's defined coverage area.

- Operating and managing all aspects of the UFB network to a high level ensuring the delivery of very positive end-user (customer) experiences.

- Driving uptake of UFB services through effective go-to-market strategies based around market-led product development, outstanding retail service provider relationships and innovative end-user marketing activity.

Enable is also committed to maximising the UFB network asset to secure commercial returns on the UFB investment that meet or exceed the cost of equity capital, taking into account the long-term nature of this infrastructure investment. Enable is cognisant that long-term returns are impacted by the optimisation of annual returns throughout the early build programme.

NATURE AND SCOPE OF ACTIVITIES

Establishment

ESL's parent company, CCHL, has stated its intent "to own and manage key infrastructure investments" that make Christchurch internationally competitive. The economic and social development of Christchurch is a key priority, which a world class open access broadband network supports.

In January 2007, ESL was incorporated as a company and commenced operations in June 2007. Over the next four years it invested in and built a metropolitan open access fibre optic network – winning approximately 600 schools, hospitals and businesses as customers from incumbent network providers.

UFB Contract

In May 2011, ESL entered into an arrangement with CFH (as part of the national UFB initiative) to deliver an open access fibre network providing wholesale fibre broadband services up to 180,000 homes and businesses in Christchurch , Rangiora, Rolleston, Woodend, Kaiapoi, Lincoln, Templeton and Prebbleton (**UFB contract**).

The UFB Contract initially involved a partnership with CFH which is the Government entity administering the contract and the associated investment through the subsidiary, ENL, in which both ESL and CFH owned shares in ENL. On the 29 June 2016 ESL acquired full ownership of ENL.

Under the UFB contract, ESL has an obligation to build the UFB network for ENL by 31 December 2019. The agreement includes a requirement to build to all schools, hospitals and 90 percent of businesses by 31 December 2015 which has been achieved.

Enable provides fibre broadband wholesale services to retail services providers on the UFB network, who then on sells these wholesale services as retail fibre based broadband, voice, internet, TV, content and IT services to customers (homes and businesses). Enable is prohibited from providing retail services or from having a related party that is a vertically integrated telecommunications provider.

Enable will proactively secure customer demand through its ever expanding array of business partners (retail service providers) and it will continue to seek and evaluate opportunities that provide the City with 'UFB open access broadband capability' which are compatible with the company's objectives and the contractual obligations of Enable.

Significant network and systems innovation have been achieved, and will continue to occur in network design, network infrastructure and business and network operations. One of Enable's key values is 'innovation' which is encouraged and recognised.

Future Technologies

Enable keeps an ever present awareness of future fibre technology trends and developments in UFB networks to ensure the network architecture and design provides maximum future value.

In addition, alternative technologies such as copper and wireless are also continually assessed to ensure that the UFB network and products maintain a competitive advantage and that the utilisation of the UFB network is maximised in the delivery of future complimentary wireless networks.

CONTRIBUTION TO THE GROWTH OF GREATER CHRISTCHURCH

Social Transformation and Development

Enable recognises the significant social and environmental benefits that can be gained for Christchurch through the successful implementation of the UFB project. These benefits are especially important given the numerous impacts on the Greater City area from the Canterbury earthquakes.

The way in which societies across New Zealand connect within themselves and with each other is transforming, with an increasing demand for quality high speed connectedness, both wireline (fibre) and wireless, anytime, anywhere.

Enable conducts its business paying close attention to these areas including:

- Providing affordable wholesale fibre based broadband connectivity.
- Assisting businesses by providing efficient access to new network connections.
- Focusing network build areas to ensure new Greenfield developments (subdivisions) have access to UFB capability where possible.
- Maximising co-ordination with the rebuild of Christchurch when deploying the UFB network.
- Ensuring network infrastructure is deployed in a way that minimises the impact to the environment.
- Maximising the opportunity to ensure the large numbers of new commercial and residential buildings in Christchurch are designed and built with provision for fibre connectivity included.

In addition, Enable works closely with the education, health and business sectors in Christchurch ensuring UFB capability investments are targeted in these areas for the wider good of the community.

Finally, Enable ensures its broadband capability plays a significant role in ensuring Christchurch has a safe community – i.e. continual support and expansion of community based services such as crime prevention camera capability.

All activities are carried out in line with the objective of protecting and growing shareholder value.

Retention of Key Staff

Retention and attraction of talented employees is vital to Enable's success. As a major civil construction project during the earthquake recovery process and in a very competitive job market, this is even more apparent. Enable will achieve the retention and attraction of talented employees by:

- Remunerating employees at a competitive market rate
- Building a culture that stimulates and motivates employees to perform in and enjoy their work environment
- Continuing to implement an industry best-practice health, safety and wellness management system that ensures the health, safety and wellbeing of Enable's employees
- Providing development opportunities
- Ensuring Enable's leadership team is effective, united and supportive

Regional and City Planning

Enable's delivery of the UFB network aligns with and supports the rebuild, recovery and long-term growth plans of local and central Government for greater Christchurch. The UFB network will be fundamental to the future growth of the economic and social wellbeing of the people of Christchurch.

a)   *Community Outcomes for Christchurch*

Enable's investment in the UFB network is a key input into many of the outcomes sought under the Community Outcomes for Christchurch developed as part of the Christchurch City Council's (**CCC's**) Long Term Plan 2015-25. All Council activity is focused on achieving these defined community outcomes of a Liveable City, Strong Communities, Healthy Environment and Prosperous Economy.

The delivery of world-class fibre infrastructure across greater Christchurch by Enable will have a dramatic impact on the Council's – as well as the community's – ability to deliver on these outcomes.

Prosperous Economy
Access to high-quality broadband connectivity is recognised as essential if Christchurch is to reach its economic growth goals.

Enable's UFB network is providing world-class connectivity to businesses in all major commercial parts of the city – providing the opportunity to grow, increase efficiency and reach new customers. Ubiquitous world-class connectivity – such as that being provided by Enable – is also an essential ingredient in attracting new businesses to establish in the city.

Liveable City
Connectivity also underpins almost all aspects of the city's focus on being a very liveable city.

Almost all schools and hospitals are connected to Enable's UFB network – and over 100,000 homes have access to it in greater Christchurch. This connectivity is the backbone of a range of services that form a vital part of our central city and urban environments – including mobile and Wifi connectivity, crime cameras and traffic management systems.

The urban designs of tomorrow will rely even more heavily on Enable's UFB network as residents and visitors alike demand and consume even more connected services as they live, work and play in Christchurch.

Strong Communities
As referred to above, Enable's UFB network is essential in delivering a range of services that make our community safe – such as crime cameras.

High quality connectivity also supports individuals, friends, families, community organisations and community service providers to connect with each other across our community. It makes it easier for vulnerable people within our community to access support at or close to their home and allows people and the community to connect with each other in variety of ways.

Healthy Environment
Access to Enable's UFB network provides the opportunity for businesses and organisations to employ technology solutions that reduce their environmental impact – such as video conferencing and remote working.

It also provides the underpinning connectivity required to monitor and manage our environment – from water management to pollution monitoring.

Good Governance
Enable is building and operating critical infrastructure, ultimately owned by the CCC Council through its CCHL's shareholding. Enable is managed within a strong governance framework that is ensuring the network is built and managed in accordance with industry best practice, to ensure the maximum longevity of the network and to deliver maximum financial returns.

b)   *Support of redevelopment of Central City*

In the Central City, Enable has assisted with the Re-start project in Cashel Mall, and other areas, by providing sponsored fibre to enable the free ultra-fast wireless connection in the area. Enable's UFB network remains in full working order and is immediately available for entities as they re-enter the Central City area. Enable is also building to all remaining business, health, education and government premises as a priority in the Central City and is working closely with all other infrastructure providers to maximise opportunities and minimise disruption.

c)   *Involvement in infrastructure repair*

Enable is a member of the Infrastructure Group which allows it to plan infrastructure installation in tandem with other infrastructure assets where this makes commercial sense. It also contributes to discussion and planning on the infrastructural rebuild. Enable will treat as a priority working in synergy with the SCIRT rebuild works in order to minimise the amount of disruption to street surfaces and the public.

d)   *Canterbury Digital Strategy 2016*

Enable has played a significant role in the creation of the Canterbury Digital Strategy that has now been adopted and launched by the Canterbury Mayoral Forum under the Canterbury Regional Economic Development Strategy.

The implementation of the strategy is being led by Timaru District Council Mayor Damon Odey and Enable is advising the Mayor as a member of the Digital Strategy Advisory Group. Three streams of work have been identified under the strategy focused on advocating for greater investment in connectivity infrastructure across Canterbury, local authorities leading by example in the provision of services to the community over digital platforms and inspiring the uptake and use of digital technologies.

e)   *Christchurch Transport Strategic Plan*

Enable does not provide physical transport infrastructure, however the provision of a UFB network can work in tandem with the Christchurch Transport Strategic Plan 2012-2042 (**Transport Plan**) to enhance transport outcomes for the community.   The UFB services assist with achieving the four goals of the Transport Plan.

- Improve access and choice: The provision of UFB makes it a viable option for people to choose to access most goods and services via the Internet, reducing load on the transport network.
- Create safe, healthy and liveable communities: Provision of the UFB network complements the integration of land use by encouraging the recovery of the Central City, suburban centres and the establishment of new growth areas. UFB services such as the provision of free ultra-fast wireless in Cashel Mall assist the re-establishment of commerce in the City Centre.
- Support economic vitality: The plan focuses on enhancing access between the port, airport and freight hubs.   Enable has provided UFB services to these areas to enhance the efficiency of companies operating out of these locations.
- Create opportunities for environmental enhancements: The UFB network is being utilised to manage traffic light systems in an efficient manner.   Enable is committed to building environmentally friendly infrastructure and is using the rebuild of City infrastructure and roads to reduce the build impact.   The UFB network can assist in reducing traffic volumes by enabling working from home and purchasing goods and services via the Internet.

Environmental Contribution

As referenced above, Enable's UFB network itself makes a significant contribution to the environment by empowering local businesses and organisations to employ technology solutions to reduce their environmental footprint.

In addition, the network is a highly sustainable ducting network expected to have a life-span of least 50 years. The network is a passive optical network which makes it incredibly efficiency to run per connection.

Through the network deployment phase, Enable designs the network to deploy to the maximum number of homes and businesses using the least amount of network duct and other infrastructure. The business primarily uses drilling and shallow-trenching methodologies that reduce the environmental impact of the deployment compared with traditional civil construction.

In addition, Enable is committed to environmental sustainability across all business operations – including waste minimisation, active recycling and reduced energy consumption.

GOVERNANCE

Commitment

Directors and management are committed to effective governance.   Governance requires competent people with a commitment to good governance and an effective set of systems and processes.   This provides shareholders and other stakeholders with the assurance that Enable is appropriately governed.

Good governance involves continual changes to meet the changing dynamics of the business.   This is particularly the case with Enable as it grows and changes throughout the UFB contract lifecycle.   Enable has experienced rapid growth and new systems, processes and positions have been established over the last three years in order to meet the future needs of the business.

Enable is now in a stabilisation phase to ensure that the benefits of these changes are maximised and that the company is operating as effectively as possible.

The Directors and management are very conscious of the need to have high-calibre people backed by excellent systems and processes in order to create a world class UFB organisation, including governance of the highest order.

Role of the Board

The Board is ultimately responsible for setting the strategic direction of the company and oversight of the management of the company, with the ultimate aim being an increase in shareholder value and the development of communications infrastructure for the economic and social benefit of the people of greater Christchurch.   The Board is accountable to its shareholder for the performance of the company.

Responsibilities of the Board

In carrying out its principal function, the Board's specific responsibilities include:

1. providing strategic direction for, and approving the company's business strategies and objectives;

2. establishing the values of the company and monitoring the operation of the company on the basis of these values;

3. reviewing and approving the company's budgets and business plans and monitoring the management of the company's capital, including the progress of any major capital expenditure, acquisitions or divestments;

4. providing leadership of the company within a framework of prudent and effective controls which enables risk to be assessed and managed;

5. providing health, safety and wellness leadership by understanding, directing and monitoring the company's health, safety and wellness framework, management system and performance ensuring prudent and effective controls are in place;

6. identifying the principal risks faced by the company and taking reasonable steps designed to ensure that appropriate internal controls and monitoring systems are in place to manage and, to the extent possible, reduce the impact of these risks;

7. monitoring the operational and financial position and performance of the company;

8. requiring that financial and other reporting mechanisms are put in place by the executive which result in adequate, accurate and timely information being provided to the Board and the company's shareholder to ensure it is fully informed of all material developments relating to the company;

9. appointing and removing members of the executive team, planning for executive succession and monitoring the performance of the executives having regard to the company's strategic direction and goals;

10. reviewing and approving the company's remuneration policies;

11. establishing procedures to ensure that financial results are appropriately and accurately reported on a timely basis in accordance with all legal and regulatory requirements;

12. adopting appropriate procedures to ensure compliance with all laws, governmental regulations and accounting standards;

13. approving and regularly reviewing the company's internal decision making and compliance policies and procedures, including any codes of conduct, the Board Charter and the charters of the Board's committees; and

14. ensuring that the company's internal decision making and compliance policies and procedures are adhered to, to ensure that the business of the company is conducted in an open and ethical manner.

Delegation of responsibilities to management

The Board has delegated management of and the responsibility for the day-to-day affairs of the company to the executive team to deliver the strategic direction and goals determined by the Board. The Board has also reserved a number of powers and responsibilities to the Board.

Delegation of responsibilities to committees

The Board may, from time to time, establish committees to assist it in carrying out its responsibilities. For each committee the Board adopts a formal charter that sets out the delegated functions and responsibilities for, and the composition and any administrative matters relating to, that committee.

A Health and Safety Committee, an Audit and Risk Committee and a People and Performance Committee have been established and are operational.

The Board is responsible for the oversight of its committees. This oversight includes, in relation to each committee, determining and reviewing its composition and structure and regularly reviewing its performance against its charter.

RATIO OF SHAREHOLDERS' FUNDS TO TOTAL ASSETS

The forecasted ratio of shareholders' funds to total assets and capital structure for the next three years is as set out below.

Enable - YE 30 June $m	2017	2018	2019
Debt	239	254	248
Total Liabilities	252	269	264
Total Assets	369	419	441
Total Equity	117	151	177
Shareholder's Funds to Total Assets Ratio	32%	36%	40%

Note: Debt is driven by the growth profile of Enable.

Assumptions: the above ratios are based on projections that assume the rollout of the UFB network will be completed by 30 December 2018.

ACCOUNTING POLICIES

Enable has adopted accounting policies that are consistent with New Zealand International Financial Reporting Standards, generally accepted accounting practice and the policies adopted by the Christchurch City Council group. The detailed accounting policies are available in our most recent annual report as published on our company website, refer www.enable.net .nz.

PERFORMANCE TARGETS

By its nature, investment in infrastructure, particularly the UFB network, requires substantial upfront investment with a long-term focus on returns. The UFB network will hold a strong market position with consistent dependable cash flows being received over many years.

Return profiles on the investment in the UFB network have been set at 30 year levels and through the initial eight year build period Enable will not be profitable. Enable is EBITDA positive in FY2016 and expects to be NPAT positive in FY2019. Thereafter, profitability increases substantially.

The performance of Enable in building the network, the performance of Enable in obtaining and growing customers and the establishment of an efficient operating structure (including a low cost network operating environment), are fundamental to future performance.

a)   Financial performance targets

The financial performance targets for Enable show the significant growth path the company is expected to realise through sales to its retail service providers.

Enable - YE 30 June $m	2017	2018	2019
External Operating Revenue	23.1	36.5	48.2
EBITDA	11.7	25.2	37.8
NPAT	(9.7)	(2.7)	3.0

As customer uptake on the network occurs over the next ten years, the profitability of Enable and its return to it investors increases.

Profitability ratios are not included as Enable's assessment of return is based on a longer term profile than the three year period within this SoI.

b)   Operational performance targets

Enable - YE 30 June $m	2017	2018	2019
Number of premises passed (brownfield)(cumulative)	108,610	131,890	139,554
Number of connections (cumulative)	50,009	72,222	90,282
Operational SLA achievement [1]	>85%	>90%	>95%
Core Network Availability[2]	>99.999%	>99.999%	>99.999%

1.   Operational SLA achievement pertains to the delivery of operational services within contracted SLAs which are set at 75%. Operational services include the connection of customers relative to their expectations and the performance of the network.
2.   Core network availability pertains to the core network aggregation switches only.

c)   Health and safety performance targets

Enable - YE 30 June $m	2017	2018	2019
Km's built/utility strike [1]	1.500	1.750	2.000
TRIIFR (per million hours)[2]	<8	<7	<6
Serious harm injuries incurred	Nil	Nil	Nil
Site audits, safety behaviour observations and near misses conducted	1,200	1,400	1,600

1.   Kms built / utility strike measures the performance of the actions taken to avoid striking (hitting) other underground services during network construction.
2.   TRIFR industry bench mark is 14.5, Business Leaders Health and Safety Forum – Benchmark Report 2014 - Construction.

d) *Corporate social responsibility performance targets*

Performance Target	Performance Measure 30 June 2017
Promote the uptake of UFB services in the greater Christchurch area to drive business and economic growth and gain lifestyle improvement for residents	• 33% uptake
Achieve environmentally friendly design standards	• Ducting and optical fibre to be underground for 70% or more of the city

DISTRIBUTIONS

Enable will pay dividends to its shareholder after taking into account its profitability and future investment requirements. The dividends payable to the shareholders will be determined by the Board after consideration of the company's funding requirements and the requirement to meet the solvency test under the provisions of the Companies Act 1993.

No dividends are forecast to be payable in the three year planning period which is consistent with expectations when entering the UFB contract.

INFORMATION TO BE PROVIDED TO SHAREHOLDERS

An annual report will be submitted to the shareholders. The annual report will include audited financial statements and such other details as are necessary to permit an informed assessment of the company's performance and financial position during the reporting period.

A quarterly report will be provided to the shareholder covering all aspects of business performance including health and safety practices.

A half-yearly report will be provided to the shareholder. These reports will contain unaudited information and will comply with NZ IAS 34.

The statement of intent will be submitted to the shareholder for consultation annually, as required by the Local Government Act 2002. The directors will include any other information they consider appropriate. Where appropriate, revised forecasts will be submitted to the shareholder.

The company will operate on a "no surprises" basis in respect of significant shareholder-related matters, to the extent possible in the context of commercial sensitivity and confidentiality obligations.

The company will provide information requested by the shareholder in accordance with the requirements of the Local Government Act.

ACQUISITION /DIVESTMENT PROCEDURES

The subscription or acquisition of securities in any company or organisation, or a divestment of part of the existing business, will only be considered where it is consistent with the long-term commercial objectives of Enable.

When the subscription, acquisition or divestment is considered by directors to be significant to the company's business operations, it will be subject to consultation with and, where required, approval of, the shareholder.

Major transactions as defined in the Companies Act 1993, s129(2), will be subject to shareholders' approval by special resolution.

COMPENSATION SOUGHT FROM LOCAL AUTHORITIES

At the request of the shareholder, the company may undertake activities that are not consistent with normal commercial objectives.   Specific financial arrangements will be entered into to meet the full commercial cost of providing such activities.   Currently, no such activities are undertaken.

ESTIMATE OF COMMERCIAL VALUE

At this preliminary stage of the company's investment in UFB life cycle, the estimated value is considered by the directors to be equivalent to the equity contributed by the Shareholder as recorded in the financial statements.

ROLE IN THE CHRISTCHURCH CITY COUNCIL GROUP AND REGIONAL ECONOMY

a)   *Commercial relationships within the wider Christchurch City Council group*

Enable recognises that, as a wholly-owned subsidiary of CCHL, there may be commercial opportunities with other group companies that can be developed to benefit Enable, the wider Christchurch City Council group and the greater Christchurch region.

Enable will ensure such opportunities are explored and developed as appropriate.

i.   Procurement
In view of the large network build programme under way, Enable has created a specialised procurement team to maximise the efficiency of purchases.

The company negotiated substantial UFB supply agreements for inventory required over the UFB network build in conjunction with other Local Fibre Companies (LFC) and CFH, and achieved significant savings through this process.

Enable has reviewed the use of whole of Government supply contracts and GSB procured discounts and utilises these where the costs associated with them make it viable. The company is also committed to engaging with other CCHL group companies and the Christchurch City Council to achieve additional procurement savings.

ii. Network Build
Through the Network Delivery Alliance between Broadspectrum and Enable, City Care services are used for the re-asphalting of surfaces after network construction.

iii. Other
The company also continues to discuss opportunities for cost efficiency or additional revenues with other group companies, such as Christchurch International Airport Limited and
Orion.

b)   *Role in the growth of the regional economy*
Treasury studies have shown that the establishment of an ultra-fast open access broadband network has the potential to provide substantial benefits to the regional economy in terms of facilitating communication, transforming business practice and making Christchurch an attractive place in which to do business.