

Bringing fibre broadband to greater Christchurch

Enable is providing fibre broadband to homes, businesses and schools in Christchurch, and in a number of towns in Waimakariri and Selwyn Districts.

Fibre broadband will empower the people of our community to build new businesses, and make existing businesses more productive and profitable. It will provide our children with exciting new learning opportunities and change how healthcare is provided. It will also transform how we use technology in our homes – by making it possible to access exciting new online entertainment options and ways to connect with friends and family.

Enable’s fibre broadband network will provide tremendous value to our community as an enabler of future innovation and growth.

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Community Embraces Fibre Broadband

The pace at which the people of Christchurch, Rolleston and Lincoln have embraced fibre broadband has made 2014 a tremendous year for Enable.

By the end of the financial year, Enable had extended its network and launched services to over 56,500 homes and businesses. Many parts of Christchurch can now access fibre broadband services and Enable has also launched network to all of Rolleston and Lincoln – the first fully fibred towns in New Zealand.

Enable has enjoyed astonishing uptake across its network – with almost 5,500 homes, businesses and schools connected or about to be connected. This means close to 10 percent of local people have embraced fibre – one of the fastest rates in the country and much faster than expected.

Some communities within Enable's coverage area have shown even greater interest in switching to fibre. Over 20 percent of the Rolleston community or almost 1,000 homes and businesses have made the switch; with Halswell and Lincoln not far behind.



"Now that we have fibre it's much easier to do all the things we want to online."

Karl Moen – Rolleston



"We tell our friends to get fibre as soon as they can – and they are hanging out for it."

Rachel Filipov – Bishopdale



"In a very competitive environment – the building trade – you need to take advantage of technology and particularly communication tools to do things better than your competitors."

Daryl Hewitt – D.J. Hewitt Builders

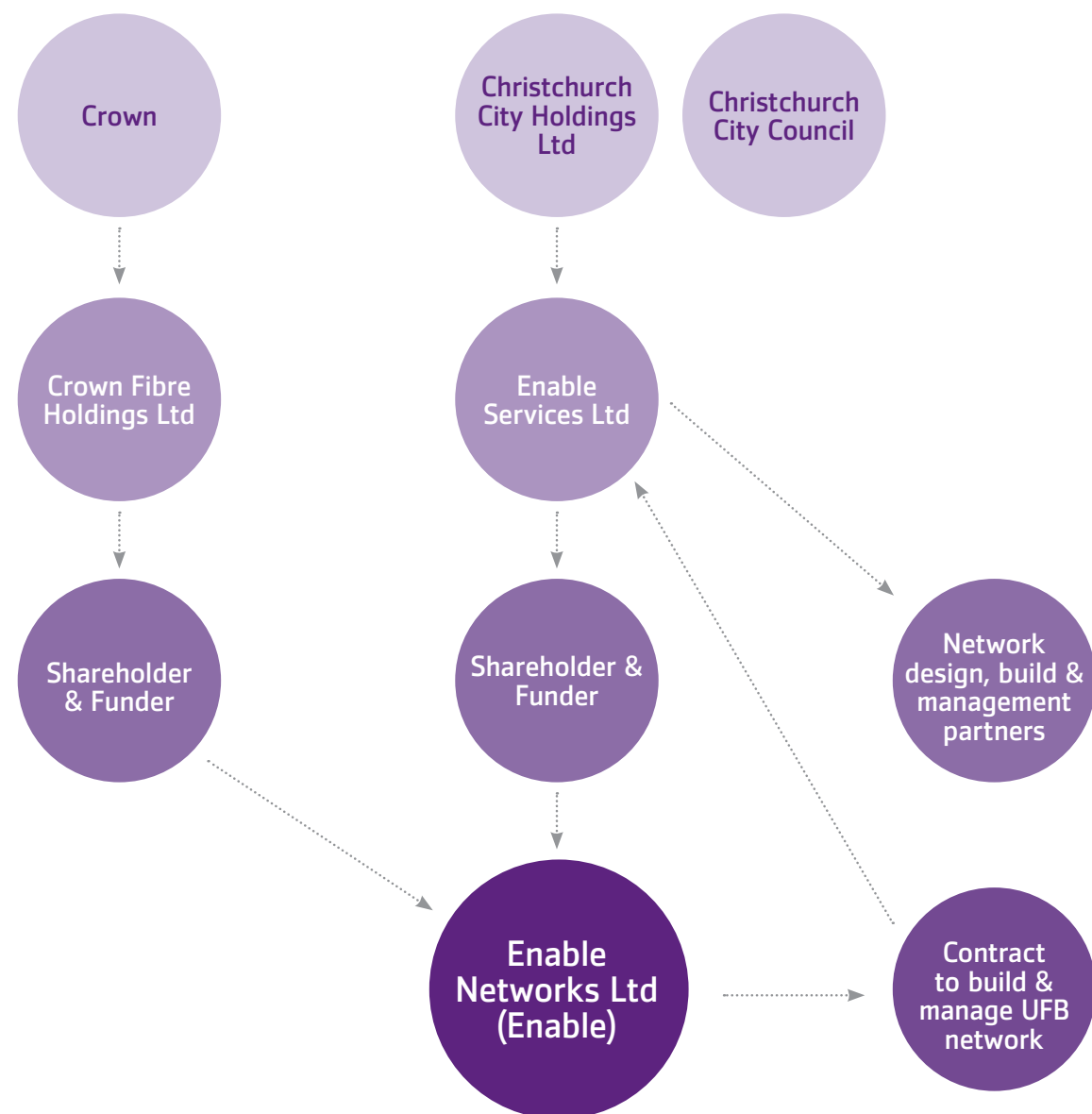


"In my experience fibre broadband is considerably more reliable than copper connections."

Jonathan Sim - Zeald



Enable Networks Limited - A Partnership Approach to UFB



The ultra-fast broadband (UFB) initiative

The UFB initiative is a \$1.3 billion investment by the Crown to build a fibre broadband network that will deliver future-proof telecommunications and technology services into New Zealand businesses, homes, schools and healthcare facilities.

UFB will connect 75% of New Zealanders to exciting new technology services. It will generate new industry, and provide unprecedented access to global markets and services for businesses. It will enable Kiwis to connect with each other and the world in exciting new ways, and change the way we are entertained in our homes. It will also transform how our children learn and how we all receive and benefit from important social services, including healthcare.

A partnership approach

The Government has partnered with leading infrastructure providers around the country to deliver on the UFB initiative.

Enable was formed as a partnership between Government agency, Crown Fibre Holdings Limited (CFH) and Christchurch City owned Enable Services Limited.

This unique central/local government joint venture will bring fibre broadband to approximately 180,000 homes and businesses in Christchurch, Rangiora, Kaiapoi, Woodend, Lincoln, Prebbleton, Templeton and Rolleston.

A company committed to our community

Focused only on our region, Enable is inherently linked to the people of Canterbury and is committed to making a positive contribution to this community.

The investment being made to make fibre broadband widely available has the potential to generate significant

returns for the broader community. Enable's network build has already made a large contribution, with the project creating hundreds of new jobs over the past three years.

Enable is also committed to working with government organisations, healthcare providers, educators, schools, community groups, local iwi and city and community leaders across Christchurch, Waimakariri and Selwyn to realise the potential of fibre broadband as our community recovers and thrives in the wake of the 2010 and 2011 earthquakes.



Chairman and CEO Report

The 2014 financial year has been an outstanding year for Enable in relation to its two most significant drivers – the roll out of our network to the greater Christchurch community and the rate at which our community embraces this exciting telecommunications future by connecting to fibre broadband.

The business has matured significantly in its third year of operation – transitioning from the establishment phase into focusing almost entirely on delivering to our customers and the community. We have made significant strides towards our future as the largest and most important telecommunications infrastructure provider in Christchurch.

The performance of the business and the team has created even higher confidence in the future of fibre broadband services in our community and in Enable as the network provider. This level of confidence is reinforced by a significantly faster network deployment rate compared to the previous year, by uptake almost four times 2013 levels and by how communities such as Rolleston and Lincoln have embraced fibre and its benefits.

Our local community embraces fibre broadband

At year end 56,553 homes, businesses and schools could access Enable's fibre broadband services. This represented an 80 percent increase in the number of potential customers able to switch to fibre broadband over the course of the year.

What made 2014 a tremendous year for Enable was that local interest in fibre broadband was well ahead of our expectations.

By year end, 4,477 customers were connected to our network, with another 991 connections underway. This means 5,468 people had made the decision to move to fibre broadband – approaching 10 percent of those that can connect.

Included in the areas where we launched fibre broadband in the year were the entire Rolleston and Lincoln townships – making them the first fully fibred towns in New Zealand. Interest in these communities, and in Halswell, has been even higher than other areas – with orders for fibre broadband passing or approaching 20 percent of homes and businesses.

Strong interest and uptake across the entire network is a result of our strong local presence and a greater marketing presence by retail service providers. We continued to take an aggressive approach to marketing the availability and benefits of fibre broadband across our coverage and we worked closely with our retail service providers to integrate marketing efforts to maximise impact wherever possible.

In addition, our research has indicated that word of mouth is a

very strong driver of uptake – once word spreads about just how much better fibre broadband is and about there usually being no additional cost, people make the switch.

Serving our customers

By year end 38 retail service providers were contracted to deliver fibre broadband services over our network, of which 28 were actively offering business services locally and seven had launched in the residential market.

The most significant retail launch of 2014 was that of Spark (formally Telecom) – with business services launched in December 2013 and full residential launch in February 2014. Spark remains the largest retail service provider in New Zealand accounting for approximately 50 percent of the residential telephone and broadband market.

More retailers marketing fibre broadband services over our network combined with a significantly larger network footprint, has had a dramatic impact on the number of orders received and processed throughout the year. This culminated in 1,937 new connection orders received in the last quarter – as opposed to 317 for the corresponding period last year.

Chairman Tim Lusk and CEO Steve Fuller.

Continuous improvement in the level of service we provide our customers and the user experience we provide their customers remains the cornerstone of Enable's business.

We are investing in developing the operating and business systems required to integrate seamlessly with our retail service providers in order to manage the large numbers of orders and customer connections we are receiving and can expect in the future. We also continue to invest in network management, customer services and connection resources to maintain delivery capacity in line with demand for services.

In June 2013 Enable completed 42 customer connections while in June 2014 the connections figure was 530.

Delivering our network to homes and businesses

In 2014, 25,112 premises were passed as part of our network build programme – meaning our network build partner Enable Services Limited almost doubled its network deployment rate against the previous year.

25 more schools within Christchurch were able to connect to fibre as part of this deployment programme – bringing the total number of schools connected or able to connect to 111. We are on target to reach all schools by the end of 2015.

We also continued to win all contracts to deploy our network in new subdivisions inside or adjacent to our coverage area. 4,950 Greenfields addresses are set to receive Enable's services – with the network deployed to 1,612 of these already.

In addition, the construction of our 12 central offices was completed – the core of our network infrastructure. All but one of these buildings are now fully operational and delivering services to customers.

Health and Safety at the heart of how we work

Ensuring everyone working across our business – our people and our partner's people – are confident they are working in a safe and healthy working environment is at the heart of our Health and Safety Policy. We continue to operate an industry best-practice Health and Safety Management System across all aspects of our business. At the end of 2014, the Loss of Time Frequency Rate across the entire Enable project

was 2.55 injuries per million hours worked.

In addition we have placed considerable emphasis on ensuring that we are prepared to meet the requirements of the Health and Safety Reform Bill introduced to parliament in March 2014 and expected to come into force on 1 April 2015.

Financial performance

Enable's financial performance continues to showcase an aggressive growth trajectory – consistent with our network roll-out and high fibre broadband uptake rate.

Our UFB revenue has grown by almost 30% from \$3.95m in the previous financial year to \$5.08m in 2014. Enable's revenue is generated from the sale of wholesale fibre broadband service to retail service providers – and the growth directly reflects the very successful year in terms of uptake.

As demand for fibre broadband services increases, so has our total asset base, growing by \$38.87m to \$92.94m – an increase of over 70 percent. The total asset value growth rate was almost double that achieved in the 2013 financial year. This reflects a marked increase in the amount of network assets purchased



from Enable Services Limited in 2014 compared to the previous year – again demonstrating an accelerated network deployment.

Our profitability – EBITDA of (\$3.77m) and a Net Loss of \$8.47m – is in alignment with previous projections for a large scale infrastructure investment in the early years of establishment. We continue to assess our profitability projections on an annual basis as part of our business planning and we are on track for positive EBITDA and positive NPAT in FY2016 and FY2020 respectively.

We remain focused on driving top line revenue growth, tightly controlling capital and operating costs to reinforce our business' financial strength.

Building a high performing team

We have continued to work closely with Enable Services Limited to develop a people strategy that supports the objectives of both companies in developing a high performing team.

Through the Network Infrastructure Project Agreement and Management Services Agreement, we rely on Enable Services Limited's people to represent the Enable brand in almost all aspects of our business.

Last year we drew on the expertise and experience of this team to develop the Enable values – Honest, Inspiring, Excellent, United and Customer Driven – and in the past year we have supported these values being brought to life across the business through the people strategy.

The strategy has included, among other things, developing a more formal assessment, performance and recognition programme – including individual professional development opportunities and regular innovation and excellence awards.

Our goal is to ensure that Enable Services Limited attracts and retains the very best people to work for our business.

We also work very closely with our project delivery partners – such as the Network Delivery Alliance, Downer and Huawei – to promote our values through their teams and support them to do the best work for our customers and our community.

Driving community benefits

We work closely with a range of key stakeholders across our region to ensure the potential of fibre broadband is realised in our community. During the year we played a leading role in the Canterbury Digital Leadership Forum – a coalition of agencies and organisations responsible for economic development and telecommunications infrastructure.

At the end of June 2014, the Forum had completed research to inform a digital strategy for Canterbury. The next stage is to launch the strategy and scope and implement initiatives aimed at increasing knowledge, uptake and usage of digital technology within our region. We are committed to continuing our support of the digital strategy from a governance perspective and as a potential sponsor of appropriate initiatives.

We have also continued to support our community by growing our corporate sponsorship portfolio in 2014.

We sponsored the Rolleston Fireworks Night – including providing a \$5,000 contribution to the volunteer organisations that make the night possible. Most recently, we have become a gold sponsor of the Special Children's Christmas Party aimed at putting smiles on the faces of 1,800 local children and their families.

Our sponsorship of free Wi-Fi for visitors to the Re:Start central city shopping district continued in 2014.

Engaging with industry

We have actively participated in all key industry consultation, discussions and forums in 2014 with a goal of ensuring that all outcomes facilitate, support and enable the success of our business and the industry.

Submissions were made to the Commerce Commission on proposed changes to the Unbundled Bitstream Access service and the Unbundled Copper Local Loop service and to the Ministry of Business, Innovation & Employment on the review of the Telecommunications Act 2001.

As a member of the Telecommunications Carriers Forum and UFB Product Forum we worked towards and supported resolutions to improve the consenting and fibre installation processes across the industry, as well as worked to agree and introduce a number of new products.

We worked with our retail service providers to agree changes to our Wholesale Services Agreement, and will finalise and introduce version two of this agreement in the coming months.

The year ahead

This coming year will be focused on driving top line revenue growth through increased uptake. We will take full advantage of our accelerated network deployment programme, heightened demand for fibre broadband within our community and greater focus from our retail service providers in moving their customers to fibre.



On 1 July 2014, our Year Four deployment programme began – it includes over 30,000 more homes, businesses and schools across Christchurch receiving access to fibre broadband services. This deployment programme – to be completed in mid-2015 – is our most aggressive to date and demonstrates that our network is being deployed at full pace.

It will increase the total number of potential fibre broadband customers across greater Christchurch to over 88,000 – or almost half our total coverage area. Importantly, this programme of work also ensures we are on target to make fibre broadband services available to all schools and 90 percent of businesses by the end of 2015.

We are set to launch our services to 3,300 homes and businesses in Rangiora and Kaiapoi in the coming weeks, and have turned our attention to deploying to more suburbs across Christchurch – from Templeton to New Brighton.

A key focus in the coming year will also be on continuing to work closely with all our retail service providers to support them to switch more of their customers to fibre broadband services. We are expecting to see the remaining large residential retail service providers – Vodafone and Slingshot – enter the local fibre

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broadband market. Having all major retail service providers actively connecting customers over our network will be a significant milestone for Enable.

We have also finalised a new set of products that will be introduced in the coming year in response to growing retail service provider and consumer demand. This product set will be led by a 100Mbps download/20 Mbps upload service to the residential market and a new high speed 200Mbps/20Mbps service. These new products will be launched early in the new financial year.

The combination of more network and increased retail service provider activity and new products – combined with our own marketing effort – is expected to generate significantly more uptake in the coming year.

Customer experience is extremely important to us so in response to the increased demand we will continue to grow our operational systems, capability across the business and connection resources to deliver 1,000 connections per month. We will continue to improve the overall experience both our retail service providers and end user fibre broadband customers receive from Enable.

Our performance for the year would not have been achieved without

the very committed, focused and collaborative effort of all of 'our' people on the ground in Christchurch and on the Enable and shareholder boards. Also, acknowledging that CFH staff contributed strongly and generously in our achievements. We wish to personally acknowledge these contributions as we tie off this year and enter the new financial year.

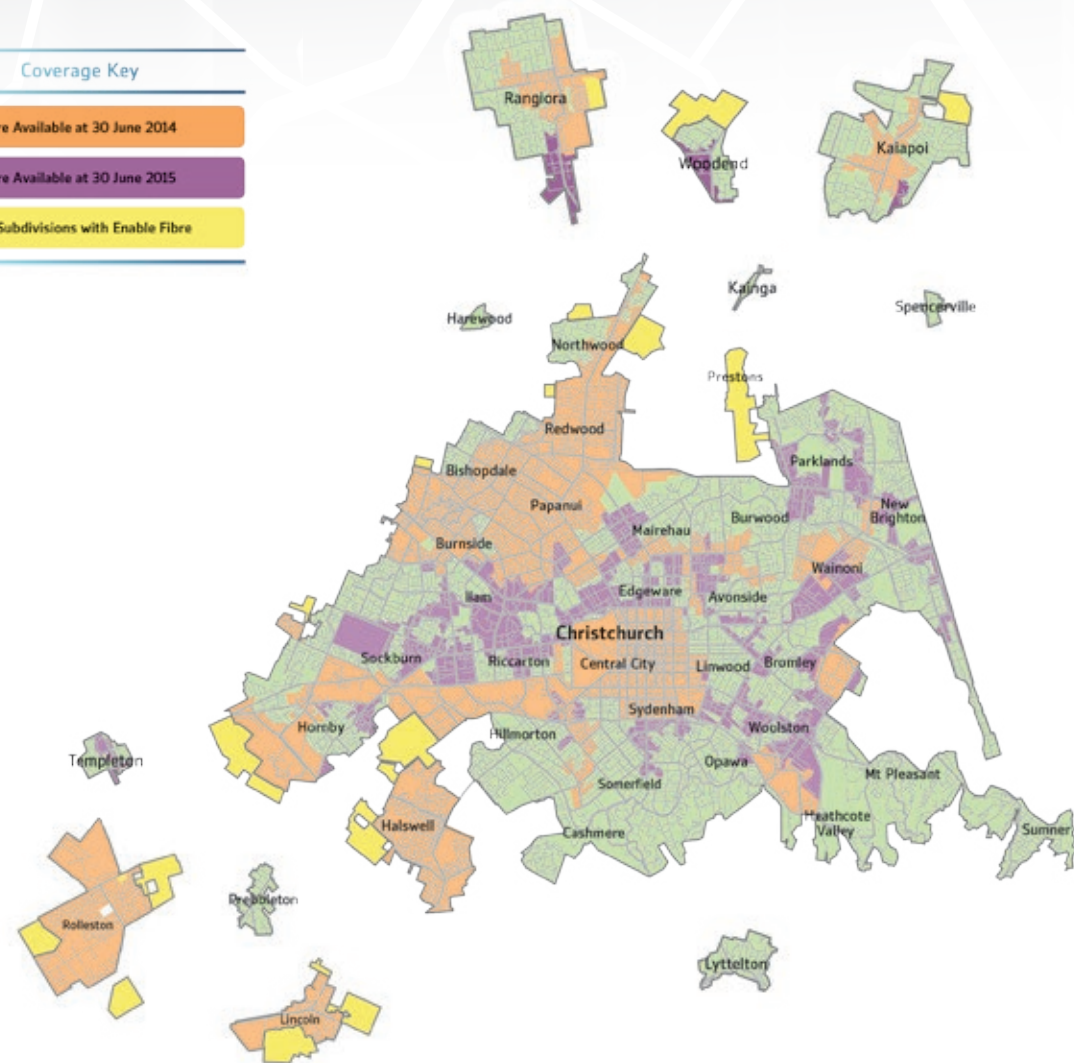
Enable now has tremendous momentum and we will leverage this to project the business even further forward and create an stronger, bigger and more successful business in the coming year.

Tim Lusk, Chairman

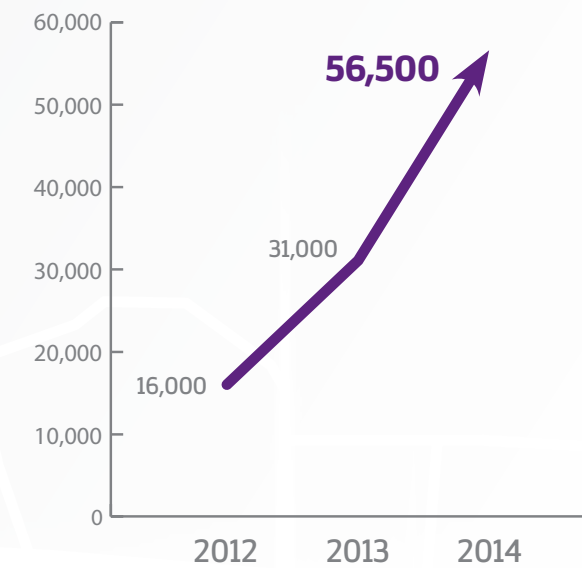
Steve Fuller, CEO



Key Achievements FY 2014

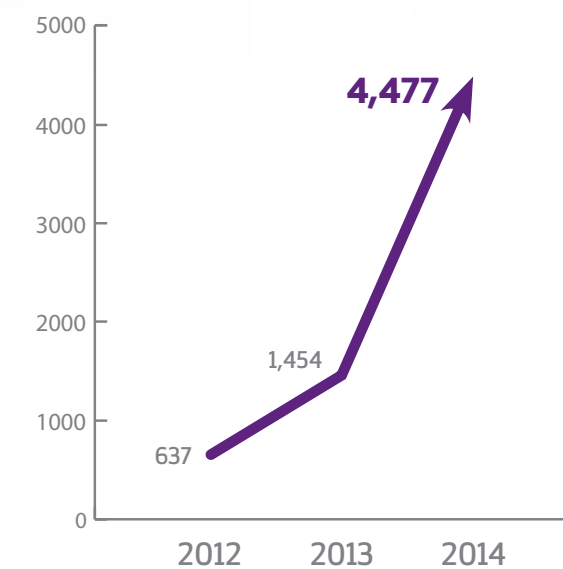


Homes and businesses able to access fibre



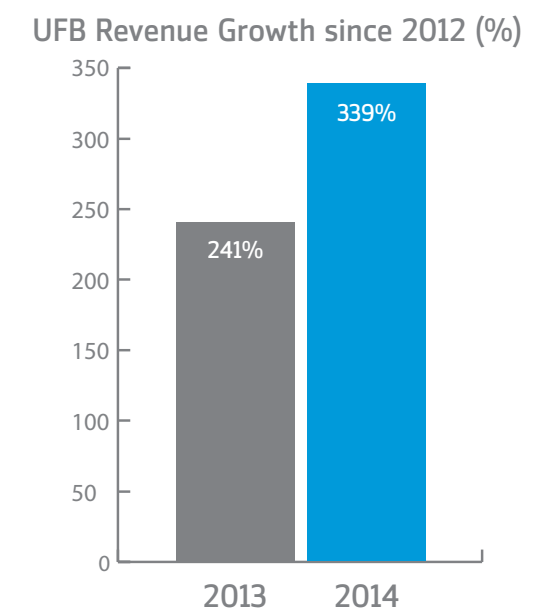
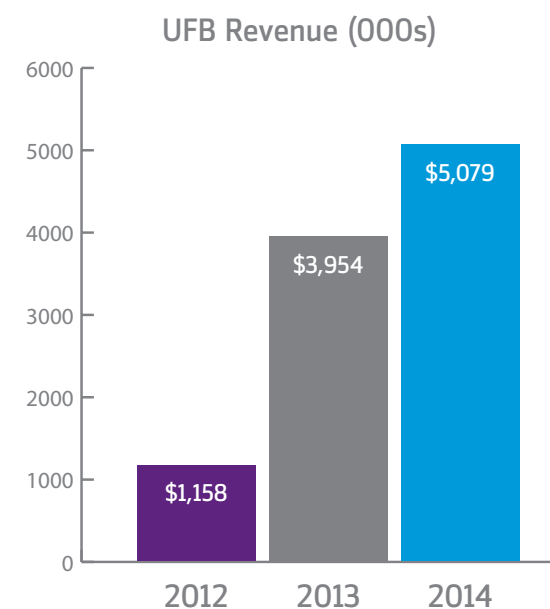
82%
Increase in homes and businesses

Customer connection figures



270%
Increase in annual connections

Financial KPIs



Health & Safety

2.55 Loss of Time Frequency Rate
(Injuries per million hours worked)



Board of Directors



**Owen Scott
Director**

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

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

Owen was appointed to the Enable board effective 12 July 2013 and is also a Director of Enable Services Limited.



**Sean Wynne
Director**

Sean is Chief Commercial Officer for Crown Fibre Holdings.

Prior to this, he held CEO positions at twenty4media and INL – where he was responsible for selling the company's publishing interests to Fairfax Media and for the company's merger with Sky Television.

Sean has also held a number of senior executive roles with Saturn Communications (later TelstraSaturn) and worked as a lawyer within large national law firms.



**Brett Gamble
Director**

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

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

Brett was appointed to the Enable board on 1 June 2012. He also sits on the board of Enable Services Limited.



**Tim Lusk
Chairman**

Tim Lusk has been Chairman of Enable since its formation.

Tim recently retired from a 40 year executive management career. His most recent role was CEO of Meridian Energy, a role Tim held for almost four years.

Tim has extensive experience working within complex regulatory environments in the telecommunications and utilities infrastructure sectors. He was General Manager Wholesale at Telecom from 2002 to 2006, and has held senior roles at Transpower and Power New Zealand Ltd.



**Mark Bowman
Director**

Mark Bowman is a Christchurch-based professional Director specialising in the governance and leadership of high growth businesses. Mark has experience in the technology, telecommunications, healthcare, tourism, industrial, and energy sectors.

Prior to his governance roles, Mark held senior executive roles with Navman, HP and Hitachi. Mark is also the Chairman of Enable Services Limited.



**Murray Milner
Director**

Murray Milner is a world-class telecommunications technology expert with a doctorate in electrical engineering and 35 years' experience in the New Zealand ICT industry.

He held a variety of senior positions within Telecom New Zealand including, until September 2005, Chief Technology Officer.

Since leaving Telecom in 2005, he has worked as a consultant and has also held a range of governance positions including currently sitting on the Crown Fibre Holdings board.



**Graham Mitchell
Director**

Graham Mitchell is CEO of Crown Fibre Holdings.

Prior to his current role, Graham held a number of senior positions over 15 years in the telecommunications sector – including CEO of Cogent Communications (part of the OneSource Group), head of US telecommunications venture capital funded Optical WDM OEM and general management roles at Telecom.

Graham also has considerable corporate finance experience, derived from roles with Telecom, Brierley Investments, Electricity Corporation and Transpower.



Governance

at Enable Networks Limited (Enable)

Enable is a partnership between Government agency, Crown Fibre Holdings Limited (CFH) and Christchurch City owned Enable Services Limited (ESL).

It was established with the specific objective of deploying, owning and operating a fibre broadband network for Christchurch and key centres in the Waimakariri and Selwyn districts.

Governing documents

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

- The Shareholders Agreement regulates the management of Enable, the relationship of the shareholders and their dealings with Enable
- The Network Infrastructure Project Agreement sets out the relationship between, and the obligations of Enable, ESL and CFH in creating and managing the network
- The Network Infrastructure Assets Transfer Agreement transferred ESL's existing fibre network to Enable.

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

Copies of all four documents are available from Enable's website: enable.net.nz.

Board role and responsibilities

The Board is responsible for the company's overall direction and management, and formulation of policies

that will support the deployment and uptake of fibre broadband within Enable's coverage area.

Board structure and appointment

The Board consists of no more than seven Directors:

- Up to three Directors appointed by CFH
- Up to three Directors appointed by ESL
- One Independent Director appointed by mutual agreement of CFH and ESL.

The Chairman is the person holding the position of Independent Director.

Board Sub-Committees

The Audit and Risk Committee assists the Board in discharging its 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 of the Board, with at least one member from each Enable shareholder.

The Remuneration Committee assists the Board in establishing remuneration, recruitment, retention and termination policies and practices. The Committee is made up of at least two members, with one representative from each Shareholder.

Management Services Agreement

The Shareholders' Agreement includes establishment of a thin company structure with strategic and operational services provided to Enable by ESL under contract.

A Management Services Agreement (MSA) between Enable and ESL has

been established setting out this relationship.

It covers the provision of corporate and marketing and sales services, and is designed to ensure that the strategic and operational requirements of Enable are able to be delivered in a manner which leverages ESL's considerable operating experience, talent pool and systems infrastructure.

The MSA provided for the following specified services:

- Chief Executive Services
- Sales and Marketing Services
- Financial and Accounting Services
- Customer and Administrative Services
- Company Secretarial Services
- Business Planning Services
- Support Services, including Asset Management
- Technology Support Services.

Role of Enable CEO

Through the provision of Chief Executive Services under the MSA, the CEO of ESL is also the CEO of Enable.

Role of General Manager – Partnership Performance

The role of General Manager – Partnership Performance has been established primarily to be responsible for matters where conflict exists between ESL's role in building and servicing the UFB network, and its management role in Enable. These areas include the Network Infrastructure Project Agreement, provision of Operating and Maintenance services and oversight of MSA performance.

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Glossary

ENL	Enable Networks Limited
ESL	Enable Services Limited (the partner). ESL is a shareholder and the contractor building and operating the UFB network assets. ESL is also a partner funding ENL
CFH	Crown Fibre Holdings Limited. CFH is a shareholder and funder of ENL
CPPP	Cost Per Premises Passed for Communal Infrastructure
CPPC	Cost Per Premises Connection to Communal Infrastructure
NIPA	Network Infrastructure Project Agreement
IRU	Indefeasible Right of Use
UAT	User Acceptance Testing
UFB network	Ultra-Fast Broadband network
Network layer 1	Passive fibre optic network infrastructure
Network layer 2	Active network infrastructure
“A” shares	A shares in the capital of ENL having the rights and restrictions set out in the ENL Constitution; in particular, they carry voting but not dividend rights. The ‘A’ shares convert to ordinary shares on 1 June 2021.
“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. The ‘B’ shares convert to ordinary shares on 1 June 2021.
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

Shareholders

Crown Fibre Holdings Limited
Enable Services Limited
Minister of Finance (in capacity of holding the Government share)

Registered office

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

Contact address

PO Box 9228
Tower Junction
Christchurch 8149
New Zealand

Web www.enable.net.nz
Email admin@enable.net.nz
Phone + 0800 434 273

Auditor

The Auditor-General is the auditor pursuant to section 14 of the Public Audit Act 2001.
Julian Tan of Audit New Zealand was appointed to perform the audit on behalf of the Auditor-General.

Solicitor

Harmos Horton Lusk

Banker

BNZ

Statement of Responsibility

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

The Board of Enable Networks 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 Networks Limited for the year ended 30 June 2014.

Signed on behalf of the Board



Timothy Lusk
Chair
19 August 2014



Graham Mitchell
Chair of the Audit & Risk Committee
19 August 2014

Statement of Comprehensive Income

For the year ended 30 June 2014

	Notes	2014 \$000	2013 \$000
Income			
Interest income	3	39	35
Miscellaneous Income	3	155	-
UFB income	3	5,079	3,954
Total income		5,273	3,989
Expenses			
Cost of Goods Sold – Contract On Charge		150	-
Directors' fees	4	180	169
Personnel costs	5	267	366
Management Service fees	6	2,984	2,464
Operation and Maintenance fees	6	4,677	3,164
Professional advisory fees	6	265	184
Other expenses	7	524	178
Depreciation expense	11	2,590	1,475
Imputed Interest on CFH A shares	15	1,781	395
Interest		357	-
Total expenses		13,775	8,395
Profit/(loss) before tax		(8,502)	(4,406)
Tax expense/(credit)	8	(28)	(1,120)
Net profit/(loss) and total comprehensive income/(loss) for the year after tax		(8,474)	(3,286)

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

Statement of Financial Position

As at 30 June 2014

	Notes	2014 \$000	2013 \$000
Assets			
<i>Current assets</i>			
Cash and cash equivalents	9	394	1,836
Trade and other receivables	10	1,474	525
Current Tax Asset		2	2
Total current assets		1,870	2,363
<i>Non-current assets</i>			
Work in Progress CPPP	11	-	1,993
UFB network assets	11	89,240	47,916
Deferred tax assets	8	1,834	1,806
Total non-current assets		91,074	51,715
Total assets		92,944	54,078
Liabilities			
<i>Current Liabilities</i>			
Creditors and other payables	12	1,905	6,803
Employee entitlements	13	19	-
Deferred revenue	3	87	90
Liability component of A shares	15	8,955	-
Deferred purchase payable to ESL	19	1,425	-
Total current liabilities		12,391	6,893
<i>Term liabilities</i>			
Deferred revenue – IRU	3	499	587
Liability component of A shares	15	23,197	10,786
Borrowings – Senior Notes	14	16,441	-
Deferred purchase payable to ESL	19	962	-
Total term liabilities		41,099	11,373
Total Liabilities		53,490	18,266
Net assets		39,454	35,812
<i>Equity</i>			
Issued capital	15	52,977	40,861
Retained earnings		(13,523)	(5,049)
Total Equity		39,454	35,812

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

Statement of Changes in Equity

For the year ended 30 June 2014

2014	Notes	Issued Capital	Retained Earnings	Total \$000
Opening equity		40,861	(5,049)	35,812
Owners transactions:				
Share issue – A shares	15	7,429	-	7,429
Share issue – B shares	15	4,687	-	4,687
Net profit/(loss) and total comprehensive income/(loss)		-	(8,474)	(8,474)
Closing balance		52,977	(13,523)	39,454

2013	Notes	Issued Capital	Retained Earnings	Total \$000
Opening equity		32,630	(1,763)	30,867
Owners transactions:				
Share issue – A shares	15	6,622	-	6,622
Share issue – B shares	15	1,609	-	1,609
Net profit/(loss) and total comprehensive income/(loss)		-	(3,286)	(3,286)
Closing balance		40,861	(5,049)	35,812

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

Statement of Cash Flows

For the year ended 30 June 2014

	Notes	2014 \$000	2013 \$000
Cash flows from operating activities			
Receipts from customers		4,876	3,626
Interest received		39	35
Payments to suppliers		(11,157)	(2,995)
Interest Paid		(169)	-
Payments to employees		(259)	(221)
Goods and services tax (net)		(1,388)	847
Net cash inflow from operating activities	16	(8,058)	1,292
Cash flows from investing activities			
Purchase of UFB network assets		(23,898)	(10,279)
Net cash outflow from investing activities		(23,898)	(10,279)
Cash flows from financing activities			
Senior Notes – Working Capital		2,867	-
Capital Contribution – A shares – liability component	15	19,584	8,547
Capital contribution – A shares – equity component	15	4,313	1,505
Capital contribution – B shares	15	3,750	-
Net cash inflow from financing activities		30,514	10,052
Net (decrease)/increase in cash and cash equivalents		(1,442)	1,065
Cash and cash equivalents at the beginning of the year		1,836	771
Cash and cash equivalents at the end of the year	9	394	1,836

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

Notes to Financial Statements

For the year ended 30 June 2014

1. Statement of accounting policies

1.(a) Significant Accounting Policies

Reporting entity

The reporting entity is ENL (or the Company). ENL was incorporated on 31 May 2011.

ENL is a limited liability company incorporated in New Zealand under the Companies Act 1993, and is a reporting entity for the purposes of the Financial Reporting Act 1993.

The purpose of the Company is to implement Ultra-Fast Broadband (UFB) in the Christchurch and Rangiora Candidate Areas, as set out further in note 2. The Company’s key investors are CFH (a Crown owned entity) and ESL (or the partner), in a public-private arrangement to deploy UFB. ENL is a profit-oriented entity. ESL is a subsidiary of Christchurch City Holdings Limited which is wholly owned by Christchurch City Council.

These financial statements were approved by the Board of Directors on 19 August 2014.

Statement of compliance

The financial statements of the Company 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.

The Company has opted to report as a Tier 3 entity applying NZ IFRS differential reporting as it is not large and publicly accountable.

The Company has applied only the following differential reporting concessions.

- NZ IFRS 7 Financial Instruments: Disclosures – no disclosure has been made that discloses the fair value of that class of assets and liabilities in a way that permits it to be compared with its carrying amount.
- NZ IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – no disclosure has been made of new NZ IFRSs that have been issued but are not yet effective.
- NZ IAS 24 Related Party Disclosures – no disclosure has been made for Key Management Personnel Compensation.
- ENL elects not to comply with NZ IFRS 13 Fair Value Measurement.

Basis of preparation

The financial statements have been prepared on a historical cost basis, except for the revaluation of certain financial instruments as set out below.

Functional and presentation currency

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

Revenue

Interest

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

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

UFB income

UFB income is recognised in the period in which the UFB service is provided by reference to either the completion of a specific transaction (connection fees) or the proportion of the on-going services provided (measured on a time basis) such as UFB Access Revenues.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily converted to known amounts of cash and are subject to an insignificant risk of changes in value. All investments are held in New Zealand.

Trade 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 Company will not be able to collect amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, the probability that the debtor will enter into bankruptcy, and defaults in payment are considered indicators that the receivable is impaired.

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

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

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

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

UFB network assets

Property, plant and equipment asset classes consist of the UFB network assets, being layer one (relating to the provision of unlit optical fibre including Central Offices land and buildings) and layer two (relating to Ethernet or lit optical fibre, being the provision of communication equipment on the un-lit fibre).

UFB network assets are shown at cost less any accumulated depreciation and impairment losses.

Additions

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 Company 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 of the asset. Gains and losses on disposals are included in profit or loss.

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 Company 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 on all UFB network assets 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 asset have been estimated as follows.

UFB Network assets:	
• Layer one (provision of unlit optical fibre and Central Offices)	5 – 50 years
• Land is not depreciated	
• Layer two (Ethernet communication equipment)	5 -12 years

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial period end.

Impairment of non-financial assets

UFB network assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts might not be recoverable. An impairment loss is recognised for the amount by which 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. Further information regarding impairment is provided in the section titled critical accounting estimates and assumptions below.

Debt and equity instruments issued by the Company

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the transactions.

Equity instruments

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

Compound instruments (redeemable A shares)

The component parts of compound instruments issued by the Company are classified separately as financial liabilities and as equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing imputed market interest rate for a similar non-convertible instrument, based on the earliest date at which the Company could be required to redeem the instrument. This amount is recorded as a liability and accounted for on an amortised cost basis using the effective interest rate until extinguished upon conversion or repurchase. The equity component is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole, and is not subsequently re-measured.

Financial liabilities

Debt (including the liability component of the redeemable A shares) 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.

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.

Deferred revenue

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

Employee entitlements

Short-term employee entitlements

Employee entitlements that the Company expects to be settled within 12 months of balance date are measured at undiscounted nominal values based on accrued entitlements at current rates of pay.

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

A liability and an expense are recognised for bonuses where there is a contractual obligation or where there is a past practice that has created a constructive obligation.

Superannuation schemes

Defined contribution schemes

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

Goods and services tax

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

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

Borrowing costs

Borrowing costs primarily comprise interest on ENL's borrowings. Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or resale. Other borrowing costs are expensed in the period in which they are incurred and reported in finance costs.

Income tax

Income tax expense includes current tax and deferred tax.

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

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

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

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

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

Statement of cash flows

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

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

1.(b) Critical accounting estimates and assumptions

In preparing these financial statements the Company has made estimates and assumptions concerning the future. These estimates and assumptions may differ from subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of UFB network assets

The UFB network assets include the existing fibre optic network assets purchased from ESL in February 2012 and the new network assets purchased from ESL since that time.

The Company has one cash-generating unit being the entire interdependent UFB network.

The network build is three years into an eight year build programme and the Company has concluded that no impairment exists.

This judgement is based on a Board approved business plan containing many assumptions, including the following.

- Uptake Percentage (% of customers connected versus those that are able to connect): Based on International Data Corporation (IDC) model of forecast profiles for NZ fibre uptake and short term RSP forecasts.
- Interest Rate: The model assumes a long term commercial interest rates on debt.
- Price Changes: Pricing is based upon the published Reference Offer including associated Glide path Pricing with long term pricing based on a view of future regulatory prices.
- Cost Movements and Inflation: The model assumes increases across all cost bases relative to inflation.
- Timing of Capital Expenditure: Capital Expenditure for future investment in the Network has been provided for from 2020 onwards.
- Timing of Network Roll out: Assumes all brownfield premises will be passed by December 2019 and 96,116 connections are in place by June 2021.

Useful lives and residual values of UFB network assets

At balance date, the Company 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 Company to consider a number of factors, such as the physical condition of the assets, expected period of use of the assets by the Company, and expected disposal proceeds from the future sale of the assets.

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

- Physical inspections of assets; and
- asset replacement programmes in line with useful life expectations.

The carrying amounts of UFB network assets are disclosed in note 11.

Measurement of liability component of redeemable A shares

A shares convert to ordinary shares at the end of the concession period, however there is also an obligation to buy-back under certain conditions.

CFH A shares

The A shares held by CFH may be required to be repurchased by the Company (at a fixed price of \$1 per share) at any time during the Concession period when notified to do so by ESL, provided that:

- ESL funds the buy-back;
- certain solvency and debt covenant requirements are met; and
- if the build of the network is incomplete the buy-back would not result in CFH holding less than 51% of the total A shares on issue (in which case the buy-back is deferred until the build is complete).

This represents an unavoidable obligation of the Company to repurchase the A shares for cash, and accordingly the A shares held by CFH represent a compound financial instrument. In determining the liability component, the Company has estimated the earliest possible date at which the Company would be required to buy-back the A shares, and discounted the repayment at that date to arrive at the amount to be recognised as a liability. The remainder is recognised as equity.

The Company has used a discount rate for a similar instrument of 6.5% (2013:6.5%) and has estimated that the earliest possible repayment for the A shares issued to CFH will be during and from the June 2015 financial year.

If the discount rate used is changed by 1% it would have the following impact.

	Effect on	Decrease 1%	Increase 1%
1	Imputed Interest	(292,000)	277,000
2	Equity	(599,000)	579,000
3	Debt	308,000	301,000

1. Recognised in Profit and Loss.
2. Initial value of Equity recognised.
3. Year end liability component of A shares.

The A shares held by CFH are also required to be repurchased in the event certain cost-savings are returned to the Company as described below, however this is considered highly unlikely to occur and has not impacted the measurement of the liability component of A shares held by CFH as described above.

ESL A shares

The A shares held by ESL may also be required to be repurchased by the Company (at a fixed price of \$1 per share) at any time during the build period in the event that ESL returns certain cost-savings to the Company. The Company is required to use the refund to repay firstly certain debt instruments, and if any refund remains unused to use the remainder to buy-back firstly the A shares held by ESL, and secondly the A shares held by CFH. Whilst this represents an unavoidable obligation of the Company to repurchase A shares for cash, and therefore the A shares held by ESL also represent a compound financial instrument, the Company considers the likelihood of cost savings sufficient to repay all debt and then to begin repaying A shares to be remote and has not attributed any amount to the liability component.

The Company considers the likelihood to be highly unlikely to occur as it has estimated it will issue Notes to a value of \$58.5 million of debt by June 2015 rising to \$132 million by June 2018. Given the estimated network build cost is \$49.7 million in the June 2015 year the actual build savings would have to approach 20% under current contracted levels in the June 2015 year before any A share repurchase was required. Likewise in the period to June 2018 the level of network build cost is expected to be over \$240 million which would require cost savings of over 40% throughout this time. Savings of that level are not expected given contracted rates and the general growth of construction costs in Christchurch following the earthquakes. Accordingly, all consideration for A shares from ESL has been recognised as equity.

Critical judgements in applying accounting policies

Management has exercised the following critical judgements in applying the Company’s accounting policies for the 12 months ended 30 June 2014.

Determination of the parent entity

The Company is a subsidiary of CFH at 30 June 2014. The determination of whether the partner or CFH controls the Company will be required to be reassessed on an on-going basis, depending on the respective ownership interests and the nature of the underlying agreements however at 30 June 2014 and during the Concession period, CFH is considered the parent entity as it holds the majority of A shares which are the only equity instruments with voting powers.

Lease classification

Determining whether a right of use arrangement represents a finance lease requires judgement as to whether the agreement transfers substantially all the risks and rewards of ownership to the user. Classification as a finance lease would mean the asset is recognised in the statement of financial position as UFB network assets.

Judgement is required on various aspects that include, but are not limited to, whether the assets used are dedicated solely to the user, the fair value of the asset, the economic life of the assets, and determining an appropriate discount rate to calculate the present value of the payments.

The Company has exercised its judgement regarding the appropriate classification of equipment provided under indefeasible right of use agreements, and has determined that these are not finance leases.

Deferred tax treatment

Recognition of income tax losses as a deferred tax asset may occur if the utilisation of those tax losses is believed to be probable. The Company has exercised its judgement as to whether the utilisation of the tax losses is probable. These judgements are outlined in note 8.

Changes in accounting policies and disclosures

Senior Notes

ESL commenced lending funds via Senior Notes to ENL in November 2013. This borrowing is covered by a Note Issue Facility Agreement signed in May 2011. Senior Notes are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

Deferred Purchase Payable to ESL

During the year ESL transferred seven Central Office land titles to ENL. These assets are paid for under the NIPA as a component of each premise passed. At 30 June 2014, ENL has recognised this amount payable to ESL. Deferred Purchase Payable to ESL are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

2. UFB contract with Crown Fibre Holdings Limited and the partner

On 31 May 2011 the Company was formed and entered into an agreement with CFH and the partner relating to the construction, deployment and operation of the UFB network for the Christchurch (which includes the Kaiapoi and Rolleston areas) and Rangiora Candidate Areas. This is part of the wider project by the Crown to provide open access fibre optic network to 75% of the population coverage in urban New Zealand. The projected cost of the build in the Christchurch and Rangiora Candidate Areas was \$440 million when the contract was entered into.

The agreement sets out the key commercial terms of the relationships between CFH (the Crown entity that negotiated and administers the agreement), the Company and the partner. This includes CFH and the partner having shareholdings in the Company that will reflect the level of each entity’s investment in the deployment of the UFB network in each Candidate Area.

CFH and the partner have equal Board representation on the Company’s Board of Directors (up to three directors each) with an independent chair appointed.

The deployment plans drive CFH’s level of investment in the Company. As each stage of the deployment plan is completed by the partner, the Company purchases the UFB network from the partner based on an agreed cost per premises passed (CPPP) for the number of premises passed by fibre optic cable upon successful user acceptance testing (UAT). CFH will in turn fund approximately 67% of the Company’s purchase of each stage by way of subscribing for A shares (these shares

carry full voting rights, with no dividend rights until 10 years from establishment (the Concession period)) in the Company, the price for which is the agreed CPPP. The partner receives A shares or Senior Notes for the remaining component of the CPPP. The partner has the option, at any time during the Concession period, provided that CFH retains voting control through the network build programme, to purchase A shares from CFH at a fixed price of \$1. Alternatively, the partner may instruct the Company to repurchase A shares from CFH at this value. The partner is required to fund the cost to connect a premise and end customer (essentially the fibre optic lead in from the street), the electronics necessary to light the optical fibre and operational costs. The partner generally receives B shares for funding these obligations (B shares carry full dividend rights, but no voting rights until the end of the Concession period), although partner debt funding is permitted as set out at note 22 (liquidity risk). The percentage of shares and level of voting control held by the partner and CFH will change through the lifecycle of the project. All A and B class shares in the Company convert to ordinary shares at the end of the Concession period.

3. Revenue

	2014 \$000	2013 \$000
Interest income		
Interest earned on cash balances with financial institutions	39	35
Total interest income	39	35
Miscellaneous Income	155	-
Total Miscellaneous income	155	-
UFB income		
Connection income	216	231
Access income	4,863	3,723
Total UFB income	5,079	3,954

The effective weighted average interest rate for monies on deposit is 2.75% (2013: 2.5%).

Gross telecommunications services revenue

In accordance with the information disclosure requirements under section 83 of the Telecommunications Act 2001, ENL’s gross telecommunications services revenue is \$5,079k (2013: \$3,954k). There were no allowable deductions (2013 : nil).

Deferred Revenue

Where the Company 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 on the statement of financial position.

4. Directors’ fees

	# of committee 2014 meetings attended ***	# of board 2014 meetings attended	Fees paid 2014 \$000
Timothy Lusk (independent chair)	7	11	70
Mark Bowman**	-	11	25
Brett Gamble **	7	11	25
Murray Milner*	-	10	35
Graham Mitchell*	7	11	-
Sean Wynne*	-	10	-
Owen Scott** (appointed 10 July 2013)	-	9	25
Total Board member fees			180

William Luff** resigned 10 July 2013.

* Appointed by Crown Fibre Holdings Limited

** Appointed by Enable Services Limited

*** Audit and Risk Committee meetings

	# of committee 2013 meetings attended ***	# of board 2013 meetings attended	Fees paid 2013 \$000
Timothy Lusk (independent chair)	5	10	70
Mark Bowman**	5	11	22
Brett Gamble **	-	10	24
William Luff**	-	7	18
Murray Milner*	-	10	35
Graham Mitchell*	5	12	0
Sean Wynne*	-	11	0
Total Board member fees			169

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

5. Personnel costs

	2014 \$000	2013 \$000
Salaries and wages	241	243
Contractor	-	120
Recruitment	-	33
Employer contributions to defined contribution plans	7	3
Increase/(decrease) in employee entitlements	19	(33)
Total personnel costs	267	366

6. Management fees and professional advisory fees

	2014 \$000	2013 \$000
Marketing and sales	1,548	1,398
Corporate services	1,192	911
Strategy leadership	244	155
Operations and Maintenance	4,677	3,164
Total management fees and costs on-charged by ESL	7,661	5,628
Accounting	109	41
Legal	156	143
Total professional advisory fees	265	184

7. Other expenses

	2014 \$000	2013 \$000
Audit fees for the financial statements	36	30
Audit Fee – Commerce Commission	12	12
Audit Fee – Telecommunications Development Levy 2013	6	-
Audit Fee 2012 under provision	-	7
Insurance	66	39
Sponsorship	-	6
Donations	-	-
Telecommunications Development Levy	112	-
Travel	5	27
Other	287	57
Total other expenses	524	178

8. Taxation

	2014 \$000	2013 \$000
Income tax expense/(credit) recognised in profit/(loss)	-	-
Deferred tax expense relating to the origination and reversal of Temporary differences	(28)	(1,120)
Income tax expense/(credit)	(28)	(1,120)
Reconciliation		
Profit/(loss) for the period	(8,502)	(4,406)
Income tax expense/(credit) calculated at 28%(2013:28%)	(2,381)	(1,234)
Reversal of Loss carried Forward	1,846	-
Effect of revenue that is exempt from taxation	-	-
Effect of other expenses that are not deductible	499	114
Effect on deferred tax balances of prior period tax losses	8	-
Income tax expense/(credit)	(28)	(1,120)

	2014 Opening Balance \$000	2014 Charged to profit/(loss) \$000	2014 Charged to equity \$000	2014 Closing balance \$000
Deferred tax asset/(liability):				
<i>Temporary differences</i>				
UFB network assets	(132)	(231)	-	(363)
Employee entitlements	-	4	-	4
Expense Accruals	(9)	35	-	26
Tax losses	1,947	220	-	2,167
Total	1,806	28	-	1,834
<i>Represented by:</i>				
Deferred tax assets	1,938	259	-	2,197
Deferred tax liabilities	(132)	(231)	-	(363)
Net deferred tax asset/(liability)	1,806	28	-	1,834

Tax losses are recognised on the basis that future profit to utilise these losses is considered probable. The Company invests in infrastructure which requires significant initial investment and will incur losses in the start-up phase but will revert to reliable profitability in future years. This is reinforced by Company projections which are based upon the Board approved business plan. In addition, shareholder continuity levels are expected to meet the tax loss continuity requirement throughout the period in which utilisation of the losses is probable.

The projected period over which the tax profits will be derived is the period until the end of the 2021 financial year. ESL, at the end of the Concession period, ESL may exercise its rights to purchase A shares from CFH at \$1 per share. As ESL has for a period held less than 49% of the shares in the Company, this by itself will not provide the level of shareholding required for tax loss carry forward. CFH has at all times held not less than 51% of the voting shares and hence there is no doubt that the Company is currently in a position to consider the carry forward of tax losses.

The Company feels the projections are robust and reflect the best available information, and it is considered probable the deferred tax asset will be used by 2021.

The business plan projections used to calculate the Deferred Tax Asset have been approved by the Board. The business plan projects taxable profits in 2021. Further information regarding the assumptions underpinning the Company's business plan are discussed in note 1(b).

A Deferred Tax Asset has not been recognised in relation to tax losses amounting to \$6,468k (2013: nil).

	2013 Opening Balance \$000	2013 Charged to profit/(loss) \$000	2013 Charged to equity \$000	2013 Closing balance \$000
Deferred tax asset/(liability):				
<i>Temporary differences</i>				
UFB network assets	-	(132)	-	(132)
Employee entitlements	2	(2)	-	0
Expense Accruals	5	(14)	-	(9)
Tax losses	679	1,268	-	1,947
Total	686	1,120	-	1,806
<i>Represented by:</i>				
Deferred tax assets	686	1,252	-	1,938
Deferred tax liabilities	-	(132)	-	(132)
Net deferred tax asset/(liability)	686	1,120	-	1,806

Imputation Credits

No imputation credits are available for use in subsequent reporting periods (2013:nil).

9. Cash and cash equivalents

	2014 \$000	2013 \$000
Cash on hand and at bank	394	1,836
Total cash and cash equivalents	394	1,836

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

10. Trade and other receivables

	2014 \$000	2013 \$000
Trade receivables	557	166
Related party receivables	2	126
GST receivables	915	233
Total Trade and Other receivables	1,474	525

The carrying value of receivables approximates their fair value.

11. UFB network assets

Movements for each class of property, plant and equipment are as follows.

	UFB network layer one \$000	UFB network layer two \$000	Total 2014 \$000
Opening Balance	46,302	3,487	49,789
Additions during the period	40,144	3,770	43,914
Balance at 30 June 2014	86,446	7,257	93,703
Accumulated depreciation	(1,645)	(228)	(1,873)
Depreciation charge for the year	(2,053)	(537)	(2,590)
Balance at 30 June 2014	(3,698)	(765)	(4,463)
Net book value at 30 June 2014	82,748	6,492	89,240

	UFB network layer one \$000	UFB network layer two \$000	Total 2013 \$000
Opening Balance	31,134	1,878	33,012
Additions during the period	15,168	1,609	16,777
Balance at 30 June 2013	46,302	3,487	49,789
Accumulated depreciation	313	85	398
Depreciation charge for the year	1,332	143	1,475
Balance at 30 June 2013	1,645	228	1,873
Net book value at 30 June 2013	44,657	3,259	47,916

The key estimates and assumptions used in determining the recoverable amount and related impairment expense for UFB network assets are set out in note 1.

The UFB network assets include the purchase of the existing fibre optic network owned by ESL in February 2012 for \$29.619 million and the purchase of new stages of UFB network covering areas in Halswell, Papanui, Redwood, Rolleston and some commercial areas for \$64.084 million. As the UFB network build continues the existing fibre optic network from ESL will become an integral part of the UFB network.

UFB network layer one represents 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, the optical fibre and other physical assets such as the Central Offices. These assets make up the biggest investment cost and tend to be long term assets with expected useful life of 5 - 50 years. Land is not depreciated.

UFB network layer two assets represent the electronics necessary to light the optical fibre or the means by which communication occurs down the layer one pathway. These assets are located in ENL Central Offices, Points of Interconnect and in the premises of end users. As these assets are generally electronic, they have a shorter expected useful life of 5-12 years.

The UFB network assets are long term infrastructure assets with long term investment horizons. It is expected that UFB fibre will become the preferred medium of choice by the majority of telecommunications users over time, as the requirement for faster and more reliable broadband levels increase.

UFB Work in Progress

The accounts to 30 June 2014 include no UFB WIP (2013:\$1.993m).

12. Creditors and other payables

	2014 \$000	2013 \$000
Creditors	89	60
Related party payables - ESL	1,705	6,698
Accrued expenses	111	45
Total creditors and other payables	1,905	6,803

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.

13. Employee entitlements

	2014 \$000	2013 \$000
Current employee entitlements are represented by:		
Annual leave and short-term entitlements	19	-
Total employee entitlements	19	0

14. Borrowings

	2014 \$000	2013 \$000
Senior Notes – fixed rate	16,441	-
Total Borrowings	16,441	-

Senior Notes were placed with ESL during 2014 as follows.

- \$7 million with a fixed rate of 6.8616% and maturing during June 2021;
- \$4.5 million with a fixed rate of 6.4078% and maturing during June 2021; and
- \$4.941 million with an average floating rate of 5.3734% until the August 2014 LGFA tender when they will be converted to a fixed rate expiring in 2023.

Interest is paid quarterly for each of the Senior Notes above.

15. Liability component of A shares and Issued capital

As described in the critical accounting estimates and assumptions section of the accounting policies, the A shares held by CFH contain a liability component. The consideration has been attributed to the liability and equity components (issued capital) as set out below.

	2014 \$000	2013 \$000
A shares issued to CFH – total consideration received	36,176	12,279
Liability component	(29,975)	(10,391)
Equity component - residual	6,201	1,888

Issued capital 2014

	A shares CFH 2014 # shares	A shares ESL 2014 # shares	B shares ESL 2014 # shares	Total 2014 # shares
Issued capital – fully paid and authorised				
Opening Balance	12,279	6,250	32,813	51,342
Shares issued during the year	23,897	3,117	4,597	31,611
Shares repurchased /Reclassified	-	25,371	(25,371)	-
Closing balance	36,176	34,738	12,039	82,953

	A shares CFH 2014 \$000	A shares ESL 2014 \$000	B shares ESL 2014 \$000	Total 2014 \$000
Issued capital – fully paid and authorised	1,888	6,250	32,723	40,861
Shares issued	23,897	3,117	4,687	31,691
Shares repurchased/Reclassified	-	25,371	(25,371)	-
Total value of shares issued	25,785	34,738	12,039	72,552
Less value of A shares attributed to liability	(19,584)	-	-	(19,574)
Closing balance of issued capital in equity	6,201	34,738	12,039	52,977

Issued capital 2013

	A shares CFH 2013 # shares	A shares ESL 2013 # shares	B shares ESL 2013 # shares	Total 2013 # shares
Issued capital – fully paid and authorised				
Opening Balance	2,227	1,134	31,113	34,474
Shares issued	10,052	5,116	1,700	16,868
Shares repurchased	-	-	-	-
Closing balance	12,279	6,250	32,813	51,342

	A shares CFH 2013 \$000	A shares ESL 2013 \$000	B shares ESL 2013 \$000	Total 2013 \$000
Issued capital – fully paid and authorised				
Shares issued	12,279	6,250	32,723	51,252
Shares repurchased	-	-	-	-
Total value of shares issued	12,279	6,250	32,723	51,252
Less value of A shares attributed to liability	(10,391)	-	-	(10,391)
Closing balance of issued capital in equity	1,888	6,250	32,723	40,861

During the year there were no costs associated with share issues (2013: nil).

	2014 \$000	2013 \$000
Opening Liability Component A shares	10,786	1,844
Liability Component A shares issued during the year	19,584	8,547
Unwinding of Liability Component (Interest) during the year	1,782	395
Liability component of A shares per Balance Sheet	32,152	10,786

As each stage of the deployment plan is completed by the partner, the Company purchases the UFB network assets from the partner based on an agreed cost per premises passed (CPPP) for the number of premises passed by fibre optic cable upon successful user acceptance testing (UAT).

A shares

CFH funds approximately 67% of the Company's purchase of each stage by way of subscribing to A shares (these shares carry full voting rights, with no dividend rights until 10 years from establishment (the end of the concession period), the price for which is the agreed CPPP. The remaining 33% of each stage is funded by ESL in return for A shares with the same rights as those issued to CFH or Senior Notes.

The A shares issued to CFH are compound financial instruments as the partner has the option, at any time during the concession period, to purchase from CFH its A shares at \$1 per share, or alternatively the partner may instruct the Company to repurchase the A shares from CFH, subject to certain conditions which are set out in the critical accounting estimates and assumptions section of the accounting policies. The total consideration received on issue of A shares to CFH, and the amount attributed to the liability component is set out earlier in this note 15.

The A shares held by CFH and ESL are also required to be repurchased in the event of certain cost-savings, however this is considered remote and has not impacted the amount attributed to equity.

At the end of the concession period, any remaining A shares convert to ordinary shares.

At 30 June 2014 the number of A shares owned by CFH is 36,175,951 (2013:12,279,144) and 34,738,201 (2013: 6,250,143) are owned by ESL. Total number of A shares issued is 70,914,152 (2013: 18,529,287). The Company has repurchased none of its own A shares.

B shares

The partner is required to fund the cost to connect a premise and end customer (essentially fibre optic lead in from street), the electronics necessary to light the optical fibre and operational costs, and in return is issued either B shares or Senior Notes depending on certain funding criteria being met (as described in note 22). B shares have the right to dividends, which may only be paid in accordance with the terms of the Shareholders' Agreement. B shares issued to ESL in exchange for certain vended network assets will convert to A shares, so long as this does not result in ESL holding greater than 49% of the total A shares on issue. During this period ESL has reclassified 25,371,310 B shares into A shares. At the end of the Concession period, any remaining B shares convert to ordinary shares.

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

	2014 \$000	2013 \$000
Net profit/(loss) after tax	(8,474)	(3,286)
Add/(less) non-cash items:		
Depreciation expense	2,590	1,475
Deferred tax	(28)	(1,120)
Indefeasible rights of use	(87)	(91)
Interest on A Share Loan	1,781	395
Non-cash items	4,256	659
Add/(less) movements in working capital items		
Trade and other receivables and prepayments	(951)	(221)
Creditors and other payables	(2,908)	4,173
Employee entitlements	19	(33)
<i>Net movements in working capital items</i>	<i>(3,840)</i>	<i>3,919</i>
Net cash from operating activities	(8,058)	1,292

In 2014 the Company had the following significant non-cash transaction during the period.

- UFB network assets of \$44.038m were purchased from ESL.
 - ESL funds approximately 45% \$20.15m of this UFB network build.
 - ESL is paid in A shares (\$3.116m) as a non-cash transaction for CPPP assets.
 - ESL is paid in B shares (\$937k) as a non-cash transaction for CPPP Layer two assets.
 - ESL is paid in Senior Notes (\$11.507m) as a non–cash transaction for CPPP assets.
- CPPC assets of \$2.067m were purchased and paid for with Senior Notes as a non – cash transaction.
- Deferred Purchase Payable to ESL of \$2.387m.

In 2013 the Company had the following significant non-cash transaction during the period:

- UFB network assets of \$16.777m were purchased from ESL.
 - ESL funds approximately 40% \$6.726m of the UFB network build.
 - It is paid for in A shares (\$5.116m) as a non-cash transaction for layer one assets and B shares (\$1.609m) as a non–cash transaction for layer two assets.

17. Commitments

Capital commitments

The Company has entered into an agreement to purchase the UFB network assets from ESL as it is built, subject to certain conditions being met which are described in note 2, (the NIPA). The NIPA requires ESL to have built the UFB network past priority premises (business, health, schools and government) by December 2015 and all premises to be passed by December 2019. Upon each stage of the network being completed and subject to that stage satisfactorily passing user acceptance testing, ENL will purchase that stage.

In addition, the NIPA requires ESL to connect, on request, any premises and end users within in the built UFB network coverage area. These connections are to be paid for by the Company at agreed rates. The actual profile and value of the connections is dependent on the actual profile of connections requested on the network.

As at 30 June 2014 the estimated cost of UFB network assets including connections to December 2021 is \$403m, and as at 30 June 2014, the estimated remaining cost to build is \$337m (2013: \$401.2m).

The funding arrangements in relation to these purchases are set out in note 22 (liquidity risk).

Commitment to repurchase A shares

As set out in note 2, the partner may instruct the Company to repurchase the A shares from CFH at any time during the concession period.

18. Contingencies

Contingent liabilities

The Company has a contingent liability in the form of a number of IRU contracts acquired with the network purchase from ESL on 10 February 2012. The services under these contracts are still to be performed and the amount owing under these contracts as at 30 June 2014, if the contracts were cancelled or not performed is \$316k.(2013: \$358k).

The Company has a letter of credit with BNZ for \$30k (2013: \$30k) in favour of Fusion 5 who provide payroll services to the Company. The letter of credit covers salary and other payroll costs paid to the Company employees by Fusion 5, which are then reimbursed by the Company.

The Company has no other contingent liabilities as at 30 June 2014 (2013: \$nil).

Contingent assets

Liquidated Damages

Under the NIPA, if ESL fails to achieve any Milestone to which Liquidated Damages apply on or before the applicable Milestone Date, ENL will be entitled to claim, and ESL will pay on demand (demand may be made by either ENL or CFH), the Liquidated Damages applicable to that Milestone for each day (or part thereof) that any such Milestone is not met.

Liquidated Damages are payable for certain stages within prior years’ work (NDP1, NDP2, NDP3) to ENL if a demand is made by ENL. To date, no demand for Liquidated Damages has been made.

The Company had no other contingent assets as at 30 June 2014 (2013: \$nil).

19. Related party transactions and key management personnel

Related parties

The immediate parent of the Company is CFH. CFH is a wholly owned entity of the Crown, and accordingly the ultimate controlling entity is the Crown.

The partner has significant influence over the Company, by virtue of its representation on the Board of directors and a number of shareholder reserved matters including participation in decisions about dividends or other distribution, approval of business plans, approval of material transactions and employment of senior management.

Significant transactions with CFH and other government-related entities

The Company has been provided with a contribution from CFH of \$23.897m (2013: \$10.052m) to fund the UFB network assets development, in exchange for A shares as set out in note 15.

In addition, the Company enters into other transactions with Government departments, Crown entities, state-owned enterprises, Christchurch City Council 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 Company would have adopted if dealing with those entities at arms length in the same circumstances. These have not been disclosed as related party transactions.

Collectively, but not individually, significant transactions with government-related entities

In conducting its activities, the Company 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 the Christchurch City Council and related Council organisations. The payment of these taxes and levies is based on the standard terms and conditions that apply to all tax and levy payers.

The Company also purchases goods and services from entities controlled, significantly influenced or jointly controlled by the Crown and the Christchurch City Council and related Council organisations. Purchases from these government-related entities for the year ended 30 June 2014 totalled \$275,050 (2013: \$92,680). These purchases included audit fees, local body rates and the purchase of travel from Air New Zealand.

Significant transactions with the partner

During the period, the Company purchased existing fibre network assets from the partner, and issued shares to the partner as set out in notes 15 and 16.

As set out in note 2, the Company purchases UFB network assets from the partner as they meet certain criteria. The commitment relating to these purchases is disclosed at note 17.

ESL provides support services to the Company under a Management Services Agreement and operations and maintenance services under the NIPA and other minor contract on-charges. ESL charged \$7.813 million (2013: \$5.628m) during the period for these services. At balance date \$1.705m including GST (2013: \$6.698m) is outstanding (included within creditors and other provisions), and is payable under normal commercial terms.

The Company charges ESL for UFB services purchased by ESL for use under the transitional agreement for existing ESL customers on the existing network. The charges are at standard arms length published UFB product rates. The arrangement will reduce as remaining ESL customer contracts expire. The total UFB services sold to ESL for the year was \$1.126 m (2013: \$1.561m) with no amount receivable from ESL at year end.

During the year ESL transferred seven Central Office land titles to ENL. These assets are paid for under the NIPA as a component of each premise passed. At 30 June 2014 ENL has recognised this amount payable to ESL as a Deferred Purchase Payable to ESL of \$2.387m (2013: nil).

20. Employee remuneration

Total remuneration paid for the year

	2014	2013
\$210,000 - \$219,999	-	1
\$240,000 - \$249,999	1	-
Total employees	1	1

During the year ended 30 June 2014, no employee received compensation or other benefits in relation to cessation (2013: one employee).

21. Categories of financial assets and liabilities

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

	2014 \$000	2013 \$000
<i>Loans and receivables:</i>		
Cash and cash equivalents	394	1,836
Trade and other receivables	1,474	525
Total loans and receivables	1,868	2,361
Financial liabilities measured at amortised cost:		
Creditors and other payables	1,905	6,803
Deferred Purchase CO’s Payable to ESL	2,387	-
Borrowings – Senior Notes	16,441	-
Liability component of A shares	32,152	10,786
Total financial liabilities measured at amortised cost	52,885	17,589

22. Financial instrument risks

The Company’s activities expose it to a variety of financial instrument risks, including market risk, credit risk and liquidity risk. The Company has a series of policies to manage the risks associated with financial instruments and seeks to minimise exposure from financial instruments. These policies do not allow any transactions that are speculative in nature to be entered into. Investments of a financial nature can only be transacted with New Zealand major trading banks or in Government securities.

Market risk

Fair value interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate owing to changes in market interest rates. The Company’s exposure to fair value interest rate risk is limited to its bank term deposits and Senior Notes with ESL, which are both held at fixed rates of interest, and the liability component of the A shares which is not interest bearing. However, because these are not accounted for at fair value, fluctuations in interest rates do not have an impact on the profit/loss of the Company or the carrying amount of the financial instruments recognised in the statement of financial position.

The average interest rate on the Company’s term deposits is 2.75% (2013: 2.5%).

The average interest rate on the Company’s fixed rate senior debt is 6.18% (2013: n/a).

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 (where applicable) at variable interest rates expose the Company to cash flow interest rate risk.

Sensitivity analysis

As at 30 June 2013 and 30 June 2014, if the deposit rate had been 50 basis points higher or lower, with all other variables held constant, the loss for the period would have been lower by an insignificant amount. This movement is attributable to increased or decreased interest income on the cash balances.

Credit risk

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

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

Owing to the timing of its cash inflows and outflows, the Company invests surplus cash with major registered trading banks and limits exposure to any one institution.

The Company’s maximum credit exposure for each class of financial instrument is represented by the total carrying amount of cash and cash equivalents (note 9) and trade and other receivables (note 10). There is no collateral held as security against these financial instruments and no instruments are overdue or impaired.

The Company’s deposits are currently held with the BNZ, a registered New Zealand bank.

Credit risk exposure to trade receivables

\$000	Gross Receivables 2014	Gross Receivables 2013	Impairment 2014	Impairment 2013
Not past due	310	171	-	-
Past due 1-30 days	247	67	-	-
Past due 31-60 days	-	22	-	-
Past due 61+ days	-	32	-	-
Total trade receivables	557	292	-	-

All receivables have been reviewed and are considered to be fully collectable.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty raising liquid funds to meet commitments as they fall due. The Company's primary mechanism for managing liquidity risk is through issuing A shares and debt to fund UFB network assets (layer one), and through funding from ESL.

The Company and ESL have funding agreements in place which set out that ESL will fund the Company's UFB network assets (layer two) and other working capital requirements using a range of instruments including equity (B shares), Senior Notes (up to a maximum debt/equity ratio of 50%) and convertible notes (up to a maximum debt/equity ratio of 65%). The Company is not permitted to borrow from any other source. In the event that the Company's debt/equity ratio exceeds 65%, the convertible notes would convert to equity. Christchurch City Holdings Limited, which owns ESL, has guaranteed the provision of this funding.

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

Contractual maturity analysis of financial liabilities

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

	Balance Sheet \$000	Contractual Cashflows \$000	Less than 6 Months \$000	Between 6 Months and 1 Year \$000	Between 1 and 8 Years \$000
2014					
Creditors and other payables (note 12)	1,905	1,905	1,905	-	-
Deferred Purchase of CO's Payable to ESL	2,387	2,387	712	713	962
Repayment of CFH "A "shares (note 15)	36,176	36,176	4,729	4,729	26,718
Borrowings – Senior notes (note 14)	16,441	24,209	517	517	23,175
Total	56,908	64,676	7,863	5,959	50,854

The earliest possible buy-back date for the A shares held by CFH will be during and from the June 2014/15 financial year. See note 1(b).

	Balance Sheet \$000	Contractual Cashflows \$000	Less than 6 Months \$000	Between 6 Months and 1 Year \$000	Between 1 and 8 Years \$000
2013					
Creditors and other payables (note 12)	6,803	6,803	6,803	-	-
Liability component of A shares	12,279	12,279	-	-	12,279
Total	19,082	19,082	6,803	-	12,279

23. Capital management

The Company's capital is its equity, which comprises Retained Earnings and share capital. Equity is represented by net assets.

The Company is prevented from borrowing from any party other than the partner. Details of the funding arrangements with the partner are set out in note 22 (liquidity risk).

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

24. Events after the balance sheet date

There were no significant events after the balance date.

Independent Auditor’s Report

To the readers of Enable Networks Limited’s financial statements for the year ended 30 June 2014

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

We have audited the financial statements of the company on pages 24 to 51 that comprise the statement of financial position as at 30 June 2014, 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.

Opinion

Financial statements

In our opinion, the financial statements of the company on pages 24 to 51:

- comply with generally accepted accounting practice in New Zealand; and
- give a true and fair view of the company’s:
 - financial position as at 30 June 2014; and
 - financial performance and cash flows for the year ended on that date.

Uncertainties with the recognition of the deferred tax asset relating to tax losses

Without modifying our opinion, we draw your attention to the disclosures in Note 8 on pages 39 and 40. This note describes the recognition of the deferred tax asset, the significance of the amount and the inherent uncertainties in the information on which the asset has been based. We consider the disclosures to be adequate.

Other legal requirements

In accordance with the Financial Reporting Act 1993 we report that, in our opinion, proper accounting records have been kept by the company as far as appears from an examination of those records.

Our audit was completed on 19 August 2014. This is the date at which our opinion is expressed.

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

Basis of opinion

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

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

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the company’s financial statements that give a true and fair view of the matters to which they relate. We consider internal control in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the company’s internal control.



An audit also involves evaluating:

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

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

In accordance with the Financial Reporting Act 1993, we report that we have obtained all the information and explanations we have required. We believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of the Board of Directors

The Board of Directors is responsible for preparing financial statements that:

- comply with generally accepted accounting practice in New Zealand; and
- give a true and fair view of the company’s financial position, financial performance and cash flows.

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

The Board of Directors’ responsibilities arise from the Public Finance Act 1989 and the Financial Reporting Act 1993.

Responsibilities of the Auditor

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

Independence

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

In addition to the audit, we were engaged to:

- issue an audit certificate pursuant to the LFC Information Disclosure Determination 2012 for the 2014 disclosure year; and
- complete an assurance engagement pursuant to the Instructions for Preparing Specified Information Under Section 83 to Identify a Qualifying Liable Person’s Qualified Revenue for the Purposes of the Telecommunications Development Levy issued by the Commerce Commission.

These engagements are compatible with those independence requirements.

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

Julian Tan

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

Statutory Information

Principal activities

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

Directors’ interests

ENL 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 2014.

Director	Directors’ Interests
Tim Lusk (Chairperson)	Director of Unison Networks Limited Director & Shareholder of: Dublin Days Limited Member of: Transpower Limited Board Sub Committee on Network Risk, Environmental Protection Authority
Mark Bowman	Board Chair of Enable Services Limited Director & Shareholder of Comrad Holdings Limited, Magic Memories Group Holdings Limited, Scarlett Hydraulics Limited Trustee of MJ & RM Bowman Family Trust
Brett Gamble	Director of Positano Holdings Limited, Enable Services Limited, Aoraki Services Limited, Aoraki Partners Holdings Limited, Milisa Holdings Limited, Chart Noticeboards Limited, C2H Limited Trustee of Hammersmith Property Trust, Gamble Family Trust Officer of Mobile Surgical Services, Mobile Medical Technologies
Murray Milner	Managing Director of Milner Consulting Limited Board Chair of Harmonic Aotearoa Limited, National Health IT Board Director of Crown Fibre Holdings Limited Shareholder of Telecom (Spark), New Zealand Limited Trustee of Milner Family Trust, NZIPv6 Trust Member of National Health Board, Health Capital Investment Committee, Expert Advisory Group on Information Security, Regional Governance Group for Central Health Region (Chair), CMDHB Strategic ICT Partnership (Chair)
Graham Mitchell	Director of UltraFast Fibre Limited, Northpower Fibre Limited Chief Executive Officer of Crown Fibre Holdings Limited Member of Chorus Steering Committee
Owen Scott	Director of Enable Services Limited Director and Shareholder of Concentrate Limited, Concentrate NZ Limited, Scott Afforestation Limited, AintoG Limited Shareholder of Elliotvale Afforestation Limited Trustee of Madgeo Trust, The New Zealand Hi-Tech Trust
Sean Wynne	Director of UltraFast Fibre Limited, Northpower Fibre Limited, Twenty4Media Pty Limited Director & Shareholder of Twenty4Media Limited Officer of Crown Fibre Holdings Limited Member of Chorus Steering Committee
Bill Luff (resigned 10 July 2013)	Director of Christchurch Symphony Orchestra Limited, Luff Trading Limited, Isaac Construction Limited Trustee of Christchurch Symphony Orchestra Trust, Woodlands Family Trust, Isaac Wildlife Conservation Trust Chief Strategy & Marketing Officer at Solid Energy New Zealand Limited

Donations No donations were made during the year.

Dividends No dividends were paid during the year.



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