



ENABLE NETWORKS LIMITED
2013 ANNUAL REPORT

enable
Delivering new possibilities



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 the 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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Christchurch Homes Connect to Fibre Broadband

This year will be remembered as a landmark year for Enable – as it introduced fibre broadband services to Christchurch homes for the first time.

On 14 September 2012, Enable launched residential fibre broadband services for the first time – meaning over 5,000 Halswell residents could begin to enjoy the benefits of these services at home. The launch was marked by the Minister of Communications and Information Technology Amy Adams and Christchurch Deputy Mayor Ngaire Button visiting the home of one of our first residential customers.

Previously, Enable had built an unrivalled reputation as a provider of fibre broadband services to the business community. The September launch was significant in that the company's objective of delivering the benefits of fibre broadband to homes and small businesses was now being realised.

After Halswell, Enable launched fibre services to thousands more homes and businesses in Papanui, Bishopdale, Northcote, Casebrook and Redwood; some parts of Rolleston and Hei Hei; and in a number of commercial areas in Christchurch. There has been considerable customer interest in these new fibre broadband services and uptake is expected to increase significantly as more retailers enter the local market in the current financial year.



"Christchurch homes could connect to fibre broadband for the first time from September 2012."

Hear from locals enjoying fibre broadband today...



"Fibre broadband is the best connection we have ever had and changing to it was a breeze."

EJ Esterhuizen – Bishopdale



Choosing 30/10Mbps UFB plan with 30GBs of data, plus calling made our internet and phone service cheaper than what we were paying."

Bill Fergusson – Halswell



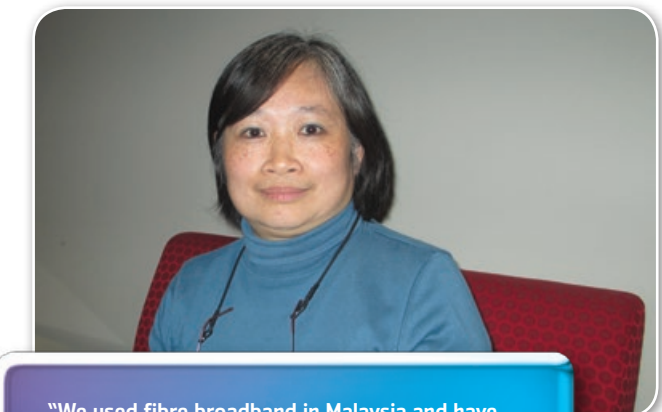
"We tell our friends to get fibre as soon as they can – and they are hanging out for it."

Rachel Filipov – Bishopdale



"My flat is on a 100Mbps/50Mbps fibre broadband service and we could never go back to copper."

Michael Whiteside – Bishopdale



"We used fibre broadband in Malaysia and have been waiting for it to arrive in Christchurch."

Alice Tan – Papanui

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

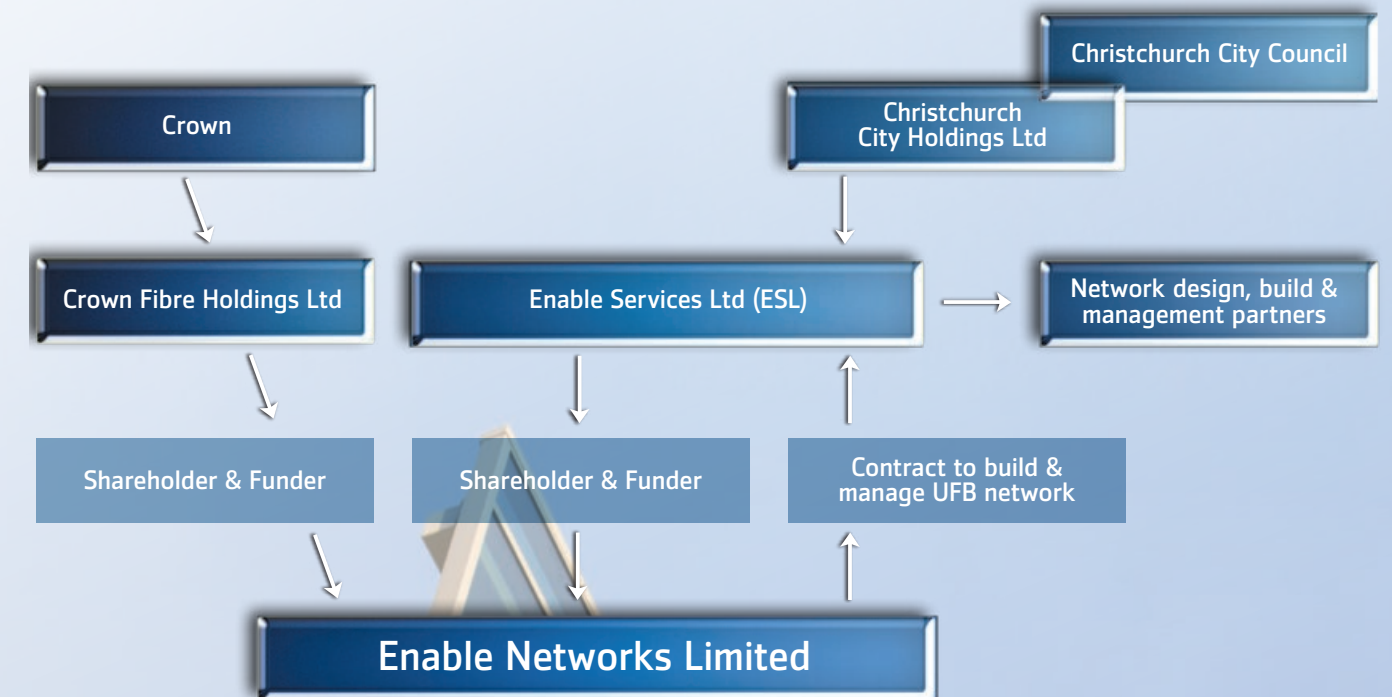
This unique central/local government joint venture will bring fibre broadband to approximately 180,000 homes and businesses in Christchurch, Kaiapoi, Lincoln, Prebbleton, Rangiora, Rolleston, Templeton and Woodend.

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 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 two years.

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



“Enable will bring fibre broadband to 180,000 homes and businesses in Christchurch, Waimakariri and Selwyn.”

Chairman and CEO Report

The 2013 financial year, the second year of operation, has seen the completion of the establishment phase of the business to now focus on delivering the possibilities of fibre broadband to more of our community – by building more network and connecting more people to it.

The potential of fibre broadband to have a positive impact on the growth of our community by helping families and businesses leverage the online world has been identified and talked about by Enable, its customers, shareholders and other stakeholders for some time.

This past year will be remembered as the year when this potential began to be realised by everyone involved in our business and by the hundreds of new businesses and families enjoying fibre broadband services.

Entering the mass-market

On 14 September 2012, Enable officially launched its first residential and small business services over its newly completed network in Halswell.

On launch day, over 5,000 potential customers were able to access fibre broadband services over our network. This was the culmination of an intensive period for the business – building the network, completing the operational requirements to be able to offer and connect services, and working closely with retail service providers to bring their services to market using our fibre network.

Launching fibre broadband services for the residential and small business market was an enormous milestone for the business, and marked a significant step towards becoming the primary wholesale telecommunications network access provider in our region.

Consumers in Halswell were able to enjoy residential fibre broadband packages from retail service providers for as little as \$75 per month when we launched. By June 2013, we had also launched in Papanui, Bishopdale, Northcote, Casebrook and Redwood; some parts of Rolleston and Hei Hei; and in a number of commercial areas of the city.

Approximately five percent of Halswell residents connected in the first two months – a level of uptake we've maintained across our coverage area. This means we're tracking well ahead of the national uptake rate, albeit below our initial forecasts.

The vast majority of our potential customers are residential and for most of the last year only one retail service provider (Snap) was marketing residential fibre broadband packages over our network. In April, a second retail service provider (Orcon) entered the market and we've seen greater uptake since.

“Enable has achieved five percent uptake in its first year offering residential and small businesses fibre broadband services.”



Enable Chairman, Tim Lusk
Enable CEO, Steve Fuller



Large business

We also continued to grow the number of large businesses connected to our network and continued to provide fibre backbone capability connecting cellular sites over fibre. Continuing to grow this customer base is critical to our on-going business success as these customers consume high-value commercial fibre broadband services.

Our total customer connections more than doubled in the financial year from 637 to 1,454. This includes 64 schools in the region connected to fibre broadband and most of the major health locations.

Serving our customers

Continuing to excel in the level of service we provide our customers and the user experience we provide their customers (families and businesses in our community) has continued to be of highest importance to us.

Enable traditionally worked with a small number of retail service providers placing a relatively small number of orders each month. We are now working with 34 different retail service providers – from large mass-market telecommunications companies to niche IT Integrators focused on specific commercial markets.

The average number of orders per month we receive is now six times greater than it was 12 months ago – and will continue to increase. We have embraced the challenge of improving the experience our retail service providers and their customers receive with every order – as this is pivotal to the success of retail service providers and therefore our business.

Our retail service providers are at different levels of maturity in terms of their readiness to retail fibre broadband services, operating models, business systems, scale of their business and customer numbers. We need to ensure that our business is geared to seamlessly manage hundreds of interactions each month with our largest customers, but still be nimble enough to meet the needs of niche players.

We have worked extensively with the industry, and with the other local fibre companies and technology partners to plan and implement new business and operational support systems that will meet the varying needs of this wide range of customers. Today we have a clear roadmap for implementing the automation of our business processes to deliver what our retail service providers expect.

As a wholesaler, our success is dependent on our retail service providers offering broadband, telephone and other services over our network – and we share the responsibility with them to educate the market on how consumers will benefit from fibre broadband.

As more of our retail service providers launch fibre broadband packages over our network and begin actively marketing the benefits of fibre broadband, we will enjoy greater uptake.

Today we have 15 retail service providers offering business services along with the two offering residential services. We have been working very closely with the remaining mass market and business retailers to bring them into the Christchurch market at a time that meets their business plans, ensuring Enable has the scale to meet increasing demand and therefore ensuring customer expectations are met.

One of the key challenges our retail service providers have placed on Enable is ensuring their customers have a positive experience when connecting to our network. Extensive work has been done within our business to ensure we meet this challenge – and the feedback we have received is that our connection experience is setting the industry standard.

Building the network

We are now over 18 months into a network construction programme that will take until the end of 2019 to complete – and have continued to accelerate our deployment over the past year.

In total, 15,264 premises have been passed since our UFB build programme began - equating to over 17,000 homes and businesses. When combined with the existing network infrastructure, 31,000 potential customers are able to access fibre broadband services.

In the last year, we have also invested considerable effort in making fibre broadband services available to all new subdivisions inside or adjacent to our coverage area. During the year Enable contracted 31 new housing subdivisions, amounting to 1,904 new properties.

Project delivery challenges

From an infrastructure project perspective, the year also presented a number of challenges for Enable and its contracted partners.

The labour resourcing market in Christchurch remains very tight as a result of the extensive earthquake recovery infrastructure works in the city – meaning our contractors and sub-contractors have an enormous challenge in delivering network capability against plan.

This issue has meant that the network build has taken longer than anticipated in some areas, most notably for the majority of Rolleston and Lincoln where fibre broadband service availability is now expected by October 2013. We know that there is demand for service in these areas – so our uptake levels will also have been affected by these delays. Plans are under development to resolve this resourcing challenge and ensure the timely deployment of the network in future.



“31,000 potential customers can now connect to Enable’s fibre broadband network.”

Financial performance

Enable's financial performance was ahead of budget for the 2013 financial year – highlighted by revenue close to anticipated levels and lower than anticipated expenses.

Enable's investment in building a fibre broadband network is a large-scale infrastructure development project. This means it requires considerable capital investment in the short-term, in order to generate long-term returns. The results of the business in the first few years need to be considered with this in mind.

UFB revenue in 2013 was \$3.95m, slightly below target by \$0.06m. Through the year we continued to enjoy above target revenue growth from our traditional high-value commercial market. Uptake of fibre broadband services in the mass-market has been slower than estimated in the budget – largely as a result of some retail service providers taking longer to come to market than was indicated when the forecasts were set. Therefore revenue results were slightly below target.

Tight controls and driving cost out of our business have been key drivers in the past year, with a particular focus on reducing the costs incurred by Enable under its Managed Services Agreement with ESL. As a result, EBITDA is considerably lower than expected – \$2.54m against a budgeted \$3.07m.

These cost measures combined with a slower than anticipated network construction programme, resulting in reduced interest and depreciated costs, have translated into a net loss of \$3.29m against a forecast loss of \$4.46m.

Overall the business remains in a strong financial position – consistent with shareholder expectations. We continue to assess our long-term profitably projections on an annual basis. Based on our experience in the last year, we have taken a more conservative position on mass-market uptake projections. This means we now expect to achieve positive EBITDA and NPAT from Year Five and Year Nine respectively.

Driving community benefits

Enable has continued to work closely with the Canterbury Earthquake Recovery Authority (CERA), the local Councils, Canterbury Development Corporation (CDC), Enterprise North Canterbury, the Stronger Christchurch Infrastructure Rebuild Team (SCIRT),

Nga Pu Waea and other stakeholders to ensure the potential of fibre broadband is realised in our community.

In December 2012, CERA released its economic recovery programme for the region and this included a specific work stream relating to driving fibre broadband uptake. Enable worked with CERA and CDC in the months leading up to this release to ensure the important role fibre broadband will play in our region's economic recovery and future growth was recognised.

Enable has continued to support CDC in its efforts to establish a local Digital Leaders Forum (DLF) to govern and manage this programme of work, along with other appropriate initiatives that will support economic growth. The structure of the DLF has been agreed and work is underway to source regional economic development funding to create a digital strategy for Canterbury.

We have continued to work with SCIRT to deploy ducting alongside other infrastructure works – to limit future community disruption. In commercial areas that are strategically important to the revitalisation of the city we are also ensuring that businesses can benefit from fibre broadband services immediately – for example in the iconic Victoria and New Regent Streets.

Our on-going support of free Wi-Fi for visitors to the Re:Start central city shopping district is another example of our commitment to support the recovery – and there are still plans to extend this initiative.

We continue to support Nga Pu Waea to ensure short-term employment opportunities for local Māori are realised within our build programme and to identify fibre broadband-based economic and community growth opportunities for Māori.

The year ahead

This coming year will be focused on driving greater uptake of fibre broadband services – building more network to more homes and businesses, supporting more retailers to come to market, delivering excellent customer experiences and promoting the benefits of fibre broadband to our community.

On 2 July 2013, we announced our deployment plans up to July 2014. Fibre broadband services will be available to 20,000 more businesses, schools and homes – as a result we will have approximately 50,000 total potential customers.

We have put a particular emphasis on making services available to more schools over the coming year – with 26 new schools in our coverage plan. This will mean 111 schools will have access to fibre – with all remaining schools to be provided access in the following 18 months.

Over the coming year we will work further with our network build contractor to introduce new technologies and identify more resourcing that will help us speed up our deployment in the coming years and reduce the cost of deployment at the same time.

By Christmas, we will also have completed the establishment of core infrastructure – made up of a network of 12 Central Offices to house our fibre and electronic equipment around our coverage area. The completion of these Central Offices is critical to future deployment, as it gives us greater flexibility to deploy our network to meet market needs.

We will continue to build our connection capability alongside our connection contractors ensuring that we are ready to deliver the connection experience expected as demand for fibre broadband services increases.

Further, we will continue the expansion of our network in a way that we can serve all new greenfield subdivisions within our coverage area so when people are re-locating to new homes and business they can enjoy new fibre broadband services as well.

Supporting more retail service providers to begin offering residential and small business services over our network is an important priority for the coming year, while at the same time continuing to provide a high level of support to customers that are already delivering services over our network.

The introduction of more mass-market retail providers will drive much greater fibre broadband uptake – meaning extensive effort is needed across our business to be ready to manage large-scale growth. We need to continue to develop our systems and processes, grow our operational capability and refine our customer connection experience to be able to provide the same level of service at scale.

There's no doubt we have seen a tremendous increase in public interest in fibre broadband in the past year and this has been reflected in uptake. The coming year promises to be even more exciting for our business, as more and more people connect to fibre broadband services and begin to enjoy the benefits.



Tim Lusk,
Chairman

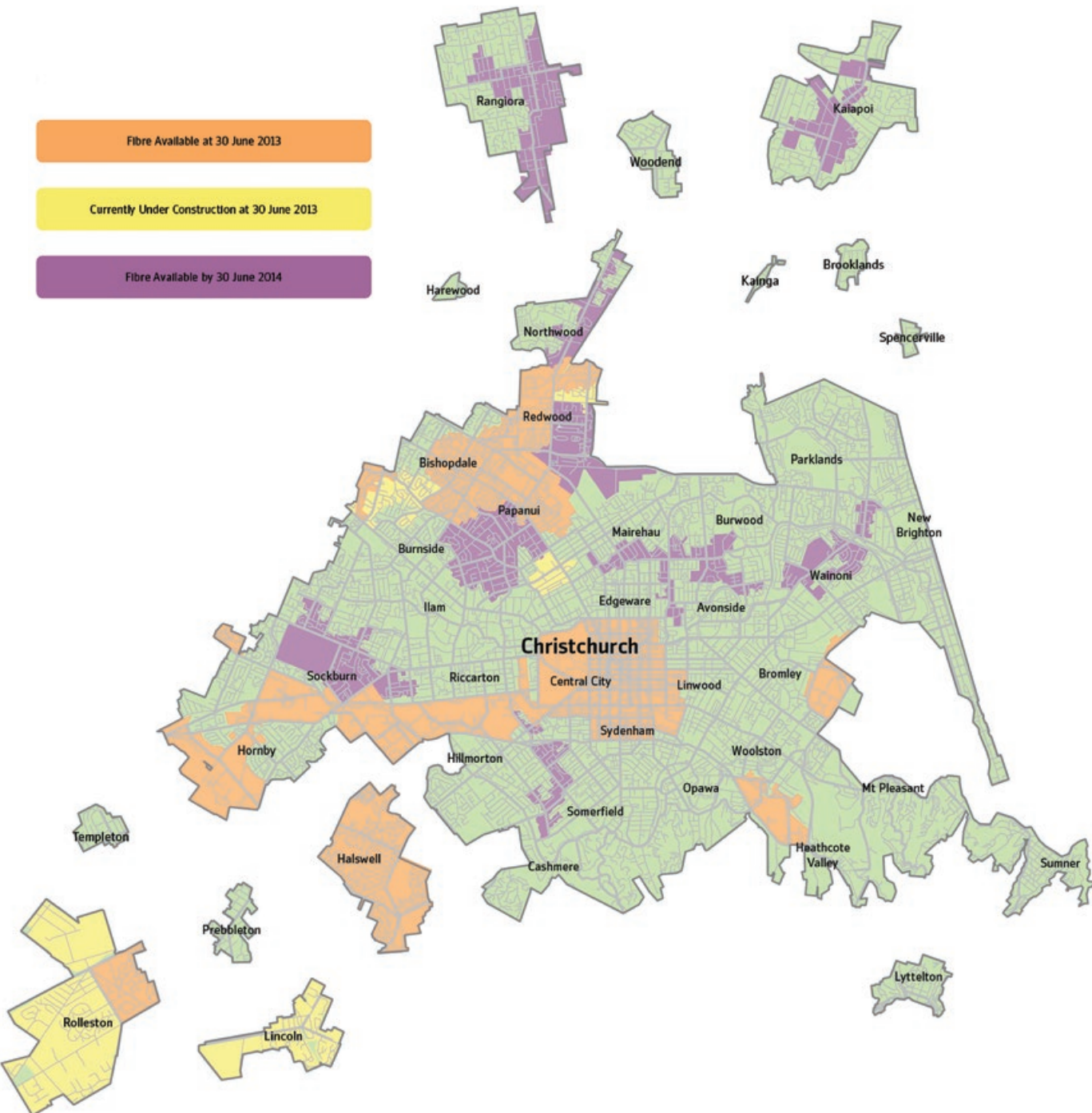


Steve Fuller,
CEO

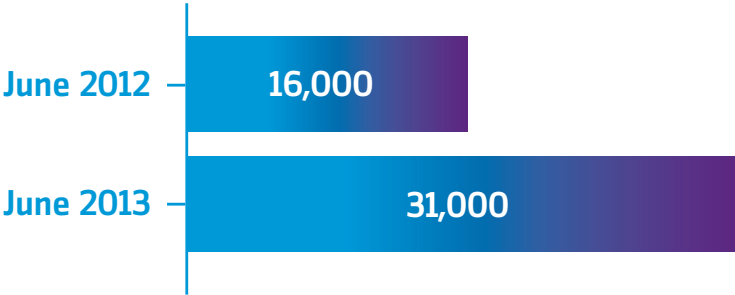


"Driving greater fibre broadband uptake will be the number one driver for Enable in the coming year."

Enable's Achievements YEAR TWO



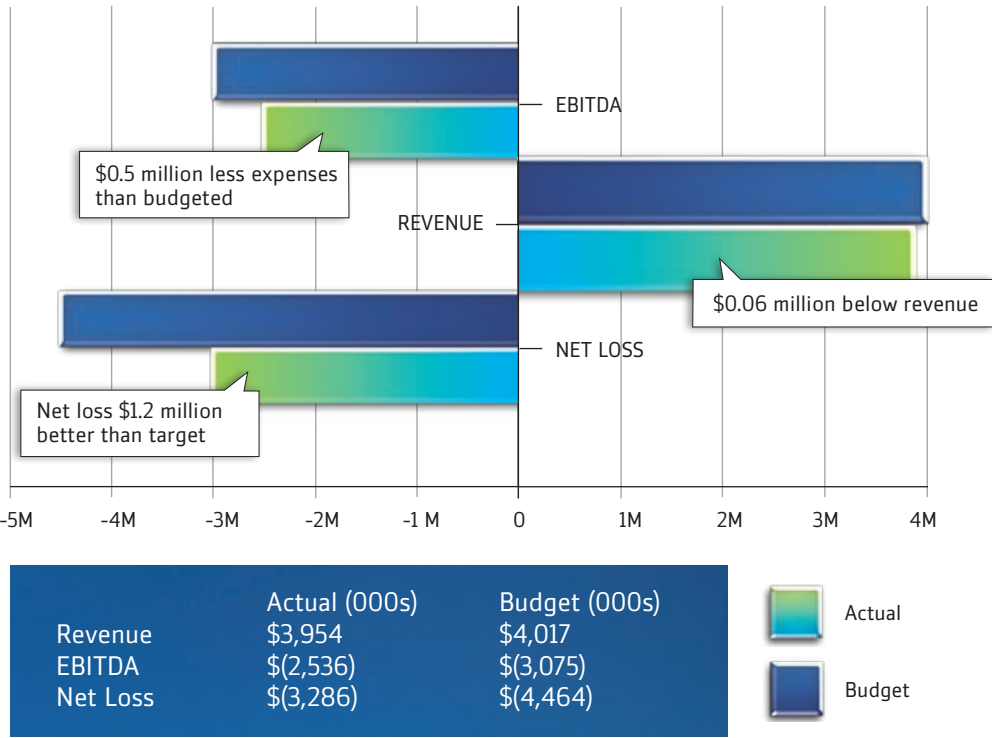
Total customers able to access fibre



Customer connection figures

- ✓ 1,454 total customer connections
- 👛 937 business connections
- 🏠 453 residential connections
- ✎ 64 schools connected
 - 12 more with fibre available
 - 31 underway for connection

Financial KPIs



Board of Directors



Owen Scott, Director

Owen Scott has 25 years' experience in the New Zealand technology sector. Since 2004 he has been the 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 became a Director of ESL on 17 October 2012 and was recently appointed to a position on the Enable board – effective 12 July 2013.

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 the United Kingdom.

He also sits on the board of ESL.

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 has also been on the Board of ESL for the past two years, and took up the role of Chairman from 1 July 2013.

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.

Bill Luff, (absent from photo) Director

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

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

Bill Luff was Chairman of ESL until 30 June 2013. He stood down from his position on the Enable board at the end of the 2013 financial year to focus on other business commitments and remains a director of ESL.



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 ESL and Enable has been established setting out this relationship.

It covers the provision of Chief Executive 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 provides 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.

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 2013:

Director	Directors’ Interests
Tim Lusk (Chairperson)	Director of Unison Networks Limited Director & Shareholder of Dublin Days Limited Member of NIWA Strategic Advisory Panel, Transpower Limited Board Sub Committee on Network Risk, Environmental Protection Authority
Mark Bowman	Director 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, Tinytown Toys Limited, Enable Services Limited Trustee of Hammersmith Property Trust, Gamble Family Trust Officer of Mobile Surgical Services, Mobile Medical Technologies
William Luff	Director of Arts Management Limited, Luff Trading Limited, Isaac Construction Limited, Enable Services Limited, Natures Flame Limited Trustee of Christchurch Symphony Orchestra Trust, Woodlands Family Trust, Isaac Wildlife Conservation Trust Chief Strategy & Marketing Officer at Solid Energy New Zealand Limited
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 Coproration of New Zealand Limited, Chorus 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)
Graham Mitchell	Director of UltraFast Fibre Limited, Whangarei Local Fibre Company Limited Chief Executive Officer of Crown Fibre Holdings Limited Member of Chorus Steering Committee
Sean Wynne	Director of UltraFast Fibre Limited, Whangarei Local Fibre Company Limited, twenty4media Limited Director & Shareholder of twenty4media Limited Officer of Crown Fibre Holdings Limited Member of Chorus Steering Committee

Donations

No donations were made during the year.

Dividends

No dividends were paid during the year.

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Glossary

ENL	Enable Networks Limited
ESL	Enable Services Limited(the partner). ESL is a shareholder and the contractor building and servicing the UFB network. 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
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 fibre optic 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 31 May 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 31 May 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)

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 reflects the financial position and operations of Enable Networks Limited for the year ended 30 June 2013.

Signed on behalf of the Board:



Timothy Lusk
Chair
26 August 2013



Graham Mitchell
Chair of the Audit and Risk Committee
26 August 2013

Statement of Comprehensive Income

For the year ended 30 June 2013

	Notes	2013 \$000	2012 \$000
Income			
Interest income	3	35	13
UFB income	3	3,954	1,158
Total income		3,989	1,171
Expenses			
Directors' fees	4	169	150
Personnel costs	5	366	126
Management fees	6	5,628	2,589
Professional advisory fees	6	184	224
Other expenses	7	178	133
Depreciation expense	11	1,475	398
Impairment of UFB network assets	11	-	-
Interest on CFH A Shares	14	395	-
Total expenses		8,395	3,620
Profit/(loss) before tax		(4,406)	(2,449)
Tax expense/(credit)	8	(1,120)	(686)
Net profit/(loss) and total comprehensive income/(loss) for the year		(3,286)	(1,763)

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

Statement of Financial Position

For the year ended 30 June 2013

	Notes	2013 \$000	2012 \$000
Assets			
<i>Current assets</i>			
Cash and cash equivalents	9	1,836	771
Trade and other receivables	10	525	380
Current Tax Asset		2	2
Prepayments		-	6
Total current assets		2,363	1,159
<i>Non-current assets</i>			
Work in Progress CPPP	11	1,993	-
UFB network assets	11	47,916	32,614
Deferred tax assets	8	1,806	686
Total non-current assets		51,715	33,300
Total assets		54,078	34,459
Liabilities			
<i>Current Liabilities</i>			
Creditors and other payables	12	6,803	948
Employee entitlements	13	-	33
Deferred revenue	3	90	91
Total current liabilities		6,893	1,072
<i>Term liabilities</i>			
Deferred revenue - IRU	3	587	676
Liability component of A shares	14	10,786	1,844
Total term liabilities		11,373	2,520
Total Liabilities		18,266	3,592
Net assets		35,812	30,867
Issued capital	14	40,861	32,630
Retained earnings		(5,049)	(1,763)
Total Equity		35,812	30,867

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 2013

2013	Notes	Issued Capital	Retained Earnings	Total \$000
Opening equity		32,630	(1,763)	30,867
Owners transactions:				
Share issue – A shares	14	6,622	-	6,622
Share issue – B shares	14	1,609	-	1,609
Net profit/(loss) and total comprehensive income/(loss)		-	(3,286)	(3,286)
Closing balance		40,861	(5,049)	35,812

2012	Notes	Issued Capital	Retained Earnings	Total \$000
Opening equity		-	-	-
Owners transactions:				
Share issue – A shares	14	1,517	-	1,517
Share issue – B shares	14	31,113	-	31,113
Net profit/(loss) and total comprehensive income/(loss)		-	(1,763)	(1,763)
Closing balance		32,630	(1,763)	30,867

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 2013

	Notes	2013 \$000	2012 \$000
Cash flows from operating activities			
Receipts from customers		3,626	1,067
Interest received		35	13
Payments to suppliers		(2,995)	(2,179)
Payments to employees		(221)	(103)
Goods and services tax (net)		847	(327)
Net cash inflow from operating activities	15	1,292	(1,529)
Cash flows from investing activities			
Purchase of UFB network assets		(10,279)	(2,227)
Net cash outflow from investing activities		(10,279)	(2,227)
Cash flows from financing activities			
A shares – liability component	14	8,547	1,844
Capital contribution – A shares – equity component	14	1,505	383
Capital contribution – B shares	14	-	2,300
Net cash inflow from financing activities		10,052	4,527
Net (decrease)/increase in cash and cash equivalents		1,065	-
Cash and cash equivalents at the beginning of the year		771	-
Cash and cash equivalents at the end of the year	9	1,836	771

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 2013

1. Statement of accounting policies

1.(a) Significant Accounting Policies

Reporting entity

The reporting entity is Enable Networks Limited (ENL or the Company). ENL was incorporated on 31 May 2011, and the comparatives from 30 June 2012 are for the initial 13 month period.

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 Crown Fibre Holdings Limited (CFH, a Crown owned entity) and Enable Services Limited (ESL, the partner), in a public-private arrangement to deploy UFB. ENL is a profit-oriented entity. ESL was previously known as Christchurch City Networks Limited, and 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 26 August 2013.

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 qualifies for differential reporting concessions as it is not large and not publicly accountable. The Company has applied only the following differential reporting concessions:

- 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.

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.

Ultrafast Broadband income

Ultrafast Broadband (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 Access Revenues.

Interest expense

Interest expense is recognised using the effective interest method, which is described above.

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 receivable's carrying amount and the present value of estimated future cash flows, discounted at the receivable's original effective interest rate.

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

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

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) 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)	20 – 40 years
• 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 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 twelve months are presented as current liabilities, and the remainder is presented as non-current liabilities.

Creditors and other payables

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

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.

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.

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 network build is two years into an 8 year build programme and the Company has concluded that no impairment exists.

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

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%, and estimated that the earliest possible repayment for the A shares issued to CFH will be during the June 2015 financial year.

If the earliest possible date of repayment were to move by 6 months, the carrying value of the liability would change by approximately \$337,000 (2012: \$62,000)

The A shares held by CFH are also required to be repurchased in the event of certain cost-savings 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 \$8 million of debt by June 2014 rising to \$105 million by June 2018. Given the estimated network build cost is \$39 million in the June 2014 year the actual build savings would have to approach 20% under current contracted levels in the June 2014 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 2013:

Determination of the parent entity

The Company is a subsidiary of CFH at 30 June 2013. 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 2013 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 asset, 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.

2. Ultra-Fast broadband 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% 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 to 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 for the remaining component of the CPPP it funds. 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, or alternatively, the partner may instruct the Company to repurchase the A shares from CFH at this value. 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. 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 21 (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 10 years from establishment date.

3. Revenue

	2013 \$000	2012 \$000
Interest income		
Interest earned on cash balances with financial institutions	35	13
Total interest income	35	13
UFB income		
Connection income	231	17
Access income	3,723	1,141
Total UFB income	3,954	1,158

The effective weighted average interest rate for monies on deposit is 2.5% (2012 :2.5%)

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 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 ** (appointed 12 June 2012)	-	10	24
William Luff**	-	7	18
Murray Milner*	-	10	35
Graham Mitchell*	5	12	0
Michael Wynne*	-	11	0
Total Board member fees			169

* Appointed by Crown Fibre Holdings Limited

** Appointed by Enable Services Limited

*** Audit and Risk Committee meetings

	# of committee 2012 meetings attended ***	# of board 2012 meetings attended	Fees paid 2012 \$000
Timothy Lusk (independent chair)	6	11	70
Mark Bowman**	6	8	14
Bill Dwyer (20 October 2011 to 30 April 2012)	-	6	12
Brett Gamble ** (appointed 12 June 2012)	-	1	-
Robert Lineham (resigned 20 October 2011)	-	3	-
William Luff**	-	8	19
Murray Milner*	-	8	35
Graham Mitchell*	6	11	-
Michael Wynne*	-	11	-
Total Board member fees			150

The Company has effected Directors' and Officers' Liability insurance to cover Directors and Officers. 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

	2013 \$000	2012 \$000
Salaries and wages	243	91
Contractor	120	-
Recruitment	33	-
Employer contributions to defined contribution plans	3	2
Increase/(decrease) in employee entitlements	(33)	33
Total personnel costs	366	126

6. Management fees and professional advisory fees

	2013 \$000	2012 \$000
Marketing and sales	1,398	1,193
Corporate services	911	505
Strategy leadership	155	191
Operations and Maintenance	3,164	700
Total management fees and costs on-charged by ESL	5,628	2,589
Accounting	41	37
Legal	143	187
Total professional advisory fees	184	224

7. Other expenses

	2013 \$000	2012 \$000
Audit fees for the financial statements	30	25
Audit Fee – Commerce Commission	12	-
Audit Fee 2012	7	-
Insurance	39	26
Sponsorship	6	64
Donations	-	-
Travel	27	3
Other	57	15
Total other expenses	178	133

8. Taxation

	2013 \$000	2012 \$000
Income tax expense/(credit) recognised in profit/(loss)	-	-
Current tax expense/(credit) in respect of the current period	-	-
Deferred tax expense relating to the origination and reversal of temporary differences	(1,120)	(686)
Income tax expense/(credit)	(1,120)	(686)
Reconciliation		
Profit/(loss) for the period	(4,406)	(2,449)
Income tax expense/(credit) calculated at 28% (2012:28%)	(1,234)	(686)
Effect of revenue that is exempt from taxation	-	-
Effect of other expenses that are not deductible	114	-
Income tax expense/(credit)	(1,120)	(686)

	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

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. In addition expected shareholder continuity levels are expected to meet the tax loss continuity requirement throughout the period in which utilisation of the losses is probable.

Imputation Credits

No imputation credits are available for use in subsequent reporting periods.

	2012 Charged to profit/(loss) \$000	2012 Charged to equity \$000	2012 Closing balance \$000
Deferred tax asset/(liability):			
<i>Temporary differences</i>			
UFB network assets	-	-	-
Employee entitlements	2	-	2
Expense Accruals	5	-	5
Tax losses	679	-	679
Total	686	-	686
<i>Represented by:</i>			
Deferred tax assets	686	-	686
Deferred tax liabilities	-	-	-
Net deferred tax asset/(liability)	686	-	686

9. Cash and cash equivalents

	2013 \$000	2012 \$000
Cash on hand and at bank	1,836	771
Cash equivalents – term deposits	-	-
Total cash and cash equivalents	1,836	771

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

	2013 \$000	2012 \$000
Trade receivables	166	53
Related party receivables	126	-
Interest receivables	-	-
GST receivables	233	327
Total Trade and Other receivables	525	380

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 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
	UFB network layer one \$000	UFB network layer two \$000	Total 2012 \$000
Additions during the period	31,134	1,878	33,012
Balance at 30 June 2012	31,134	1,878	33,012
Depreciation charge for the year	313	85	398
Balance at 30 June 2012	313	85	398
Net book value at 30 June 2012	30,821	1,793	32,614

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 \$20.169 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 20 – 40 years.

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 fibre optic 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 infrastructural 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 - ESL's accounts to 30 June 2013 include two UFB Build transactions where final invoices to ENL will be issued in July 2013.

The stages involved had been UAT tested, draft invoices had been sent to CFH in June, and Board Resolutions had been passed at June board meetings in preparation for this transaction.

The final invoice was issued and paid in full on July 19th in the usual manner with share issues.

12. Creditors and other payables

	2013 \$000	2012 \$000
Creditors	60	3
Related party payables - ESL	6,698	887
Accrued expenses	45	58
Total creditors and other payables	6,803	948

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

	2013 \$000	2012 \$000
Current employee entitlements are represented by:		
Annual leave and short-term entitlements	-	33
Other	-	-
Total employee entitlements	0	33

14. 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:

	2013 \$000	2012 \$000
A shares issued to CFH – total consideration received	12,279	2,227
Liability component	10,391	1,844
Equity component - residual	1,888	383

Issued capital 2013

	A shares CFH 2013 #	A shares ESL 2013 #	B shares ESL 2013 #	Total 2013 #
Issued capital – fully paid and authorized				
Opening Balance	2,227	1,134	31,113	34,474
Shares issued during the year	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

Issued capital 2012

	A shares CFH 2012 #	A shares ESL 2012 #	B shares ESL 2012 #	Total 2012 #
Issued capital – fully paid and authorised				
Shares issued	2,227	1,134	31,113	34,474
Shares repurchased	-	-	-	-
Closing balance	2,227	1,134	31,113	34,474

	A shares CFH 2012 \$000	A shares ESL 2012 \$000	B shares ESL 2012 \$000	Total 2012 \$000
Issued capital – fully paid and authorised				
Shares issued	2,227	1,134	31,113	34,474
Shares repurchased	-	-	-	-
Total value of shares issued	2,227	1,134	31,113	34,474
Less value of A shares attributed to liability	(1,844)	-		(1,844)
Closing balance of issued capital in equity	383	1,134	31,113	32,630

During the year there were no costs associated with share issues. (2012:nil)

	2013 \$000	2012 \$000
Liability Component A Shares	10,391	1,844
Unwinding of Liability Component	395	-
Equity component - residual	10,786	1,844

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).

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.

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 14.

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 2013 the number of A shares owned by CFH is 12,279,144 and 6,250,143 are owned by ESL. Total number of A Shares issued is 18,529,287. The Company has repurchased none of its own A shares.

Interest on CFH A Shares of \$395,113 has been included in this years accounts.

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 notes depending on certain funding criteria being met (as described in note 21). B shares have the right to dividends, which may only be paid in accordance with the terms of the 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. At the end of the concession period, any remaining B shares convert to ordinary shares.

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

	2013 \$000	2012 \$000
Net profit/(loss) after tax	(3,286)	(1,763)
Add/(less) non-cash items:		
Depreciation expense	1,475	398
Deferred tax	(1,120)	(686)
Indefeasible rights of use	(91)	(71)
Interest on A Share Loan	395	-
Non-cash items	659	(359)
Add/(less) movements in working capital items		
Trade and other receivables and prepayments	(221)	(388)
Creditors and other payables	4,173	948
Employee entitlements	(33)	33
<i>Net movements in working capital items</i>	<i>3,919</i>	<i>593</i>
Net cash from operating activities	1,292	(1,529)

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 this 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.
- In 2012 the existing fibre optic network assets of ESL were purchased off ESL for \$29.619m.
After adjusting for the value of Indefeasible Rights of Use attached to the asset the final net sale value was \$28.813m. The transfer of the network was a non-cash transaction paid for by the issuance of 28.813m B shares to ESL.

16. Commitments

Capital commitments

The Company has entered into agreements to purchase the UFB network from ESL as it is built, subject to certain conditions being met which are described in note 2. The agreements require ESL to have built the UFB network past all 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 agreements require ESL to connect, on request, any entity within in the built UFB network. 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 2013 the estimated cost of UFB network including connections to December 2021 is \$401.2m. (2012 : \$357million)

The funding arrangements in relation to these purchases are set out in note 21 (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.

17. Contingencies

Contingent liabilities

The Company has a contingent liability in the form of a number of indefeasible right to use 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 2013, if the contracts were cancelled or not performed is \$358,457. (2012 : \$400,897)

The Company has a letter of credit with BNZ for \$30,000 (2012 : \$30,000) 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 and reimbursed by the Company.

The Company has no other contingent liabilities as at 30 June 2013. (2012 : \$nil)

Contingent assets

Liquidated Damages

Under clause 6.2 of the NIPA, if the Contractor(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 the Contractor will pay on demand (such demand from either the LFC or CFH), the Liquidated Damages (LDs) applicable to that Milestone for each day (or part thereof) that any such Milestone is not met.

LDs are payable to ENL if a demand is made by ENL, but to date this demand for LDs payment has not been made.

The Company had no contingent assets as at 30 June 2012 : \$nil.

18. 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 \$10.052m (2012 : \$2.227m) to fund the UFB network development, in exchange for A shares as set out in note 14.

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 arm’s 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 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 Christchurch City Council and related Council organisations. Purchases from these government-related entities for the year ended 30 June 2013 totalled \$92,680 (2012 : \$26,000). These purchases included audit fees 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 14 and 15.

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 16.

ESL provides support services to the Company under a management services agreement and an operations and maintenance agreement. ESL charged \$5.628 million (2012: \$2.589m) during the period for these services. At balance date \$6.698 million (2012: \$0.887m) 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 \$1.561 m (2012 : \$1.039m) with no amount receivable from ESL at year end.

19. Employee remuneration

Total remuneration paid or payable for the year:

	2013	2012
\$120,000 - \$129,000	-	1
\$210,000 - \$219,000	1	-
Total employees	1	1

During the year ended 30 June 2013, one employee received compensation and other benefits in relation to cessation.

20. 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:

	2013 \$000	2012 \$000
Loans and receivables:		
Cash and cash equivalents	1,836	771
Trade and other receivables	525	382
Total loans and receivables	2,361	1,153
Financial liabilities measured at amortised cost:		
Creditors and other payables	6,803	981
Liability component of A shares	10,786	1,844
Total financial liabilities measured at amortised cost	17,589	2,825

21. 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 which are 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 2.50%.(2012: 2.5%)

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 2012 and 30 June 2013, 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 2013	Gross Receivables 2012	Impairment 2013	Impairment 2012
Not past due	171	46	-	-
Past due 1-30 days	67	7	-	-
Past due 31-60 days	22	-	-	-
Past due 61+ days	32	-	-	-
Total trade receivables	292	53	-	-

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

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 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. This facility has a final repayment date of March 2023.

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.

	Less than 6 Months \$000	Between 6 Months and 1 Year \$000	Between 1 and 5 Years \$000
2013			
Creditors and other payables (note 12)	6,803	-	-
Repayment of CFH “A “shares (note 14)	-	-	12,279
Total	6,803	-	12,279

The earliest possible buy-back date for the A shares held by CFH will be during the June 2015 financial year. See note 1(b).

	Less than 6 Months \$000	Between 6 Months and 1 Year \$000	Between 1 and 5 Years \$000
2012			
Creditors and other payables (note 12)	981	-	-
Liability component of A shares	-	-	2,227
Total	981	-	2,227

22. Capital management

The Company’s capital is its equity, which comprises accumulated funds 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 21 (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.

23. 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 2013

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 2013, 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 2013; and
 - financial performance and cash flows for the year ended on that date.

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 26 August 2013. 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 would affect a reader’s 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. 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 of the annual financial statements, we have been engaged to carry out an assurance assignment for the company. This will involve issuing an audit certificate pursuant to the LFC Information Disclosure Determination 2012 for the 2013 disclosure year.

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

Julian Tan

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

Shareholders

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

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Auditor

The Auditor-General 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

