



**CROWN FIBRE HOLDINGS LIMITED**  
**Statement of Performance Expectations**  
**July 2016 – June 2017**

Presented to the House of Representatives

pursuant to the Crown Entities Act 2004



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## 1. Introduction

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This Statement of Performance Expectations is submitted by the Board of Directors of Crown Fibre Holdings Limited (CFH), pursuant to the Crown Entities Act 2004. It sets out the performance expected of CFH for the period 1 July 2016 to 30 June 2017.

### Statement of responsibility

CFH is responsible for the statements contained in this document, including the appropriateness of the business assumptions underlying them. CFH is also responsible for internal control systems that provide reasonable assurance as to the integrity of its financial reporting.



**Simon Allen**  
Chair  
September 2016



**Keith Tempest**  
Director  
September 2016

## 2. CFH's objectives, scope & outputs for fiscal year 2017

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### 2.1 CFH's objectives

The key objective of CFH is to implement the Government's Ultra-Fast Broadband (**UFB**)<sup>1</sup> policy (the **UFB1 Objective**), as follows:

To accelerate the roll-out of UFB to 75% of New Zealanders by December 2019, concentrating until December 2015 on **priority users** (businesses, schools and health services)<sup>2</sup>, plus greenfields and tranches of residential areas.

In addition, Ministers have agreed that CFH should manage an expansion of the UFB programme ("**UFB2**"). The Government's key objective for UFB2 (the **UFB2 Objective**) is:

To expand the rollout of UFB to reach at least an additional 5% of the New Zealand population within a fiscal envelope of \$210m.

Ministers have further agreed that CFH should manage an expansion of the Rural Broadband Initiative ("**RBI2**") and the Mobile Blackspot Fund (**MBSF**). The Government's key objectives for RBI2 and MBSF (the **RBI2/MBSF Objectives**) are:

To deliver improved broadband to areas outside the UFB footprint (**RBI2**), and to invest in extended mobile coverage into black spot areas of main highways and key tourist areas (**MBSF**), with funding of \$100m and \$50m respectively from the Telecommunications Development Levy.

CFH's Statement of Intent for July 2014 to June 2018 outlines CFH's vision, strategic priorities and functions to achieve the UFB1 Objective, and this will be updated during 2017 to reflect the UFB2 Objective as well as the RBI2/MBSF Objectives.

### 2.2 CFH's outputs for fiscal year 2017

Section 3 describes CFH's outputs for the period from 1 July 2016 to 30 June 2017, which are reportable under section 149E(1)(a) of the Crown Entities Act. These outputs relate to the level of UFB deployment, progress on UFB2, RBI2 and MBSF, and key operational and financial metrics.

In addition, CFH monitors the operational and service performance of the Co-Investment Partners<sup>3</sup> (**Partners**), as described in Section 4. These matters are the responsibility of each Partner; CFH's role is to monitor performance to ensure that contractually agreed service levels are being met. Accordingly, these matters are regarded by CFH as non-reportable outputs for fiscal year 2017 under section 149E(1)(c) of the Crown Entities Act.

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<sup>(1)</sup> For the purposes of the UFB initiative, UFB means a broadband service making available a minimum uncontested 100 megabits per second (Mbps) downstream (from the internet to the user) and 50 Mbps upstream (from the user to the internet), capable of being upgraded to 10 times these speeds.

<sup>(2)</sup> Priority users are businesses (of any size, including private-sector health providers), schools (including state, state-integrated and independent schools) and health-service providers (hospitals and significant health-care provider sites, for example emergency and medical centres, and radiologists). The target, which has now been achieved, was to make UFB available to 100% of schools and urban public hospitals, and at least 90% of businesses (including health facilities), by December 2015.

<sup>(3)</sup> Co-Investment Partners and Local Fibre Companies (LFCs) and their relationships with CFH are described in CFH's Statement of Intent.

### 3. CFH's reportable outputs

CFH's performance targets for fiscal year 2017 relate to UFB deployment, progress of the UFB2, RBI2 and MBSF initiatives, UFB installation, CFH stakeholder engagement and financial and operational efficiency. Performance on these measures will be reported in CFH's Annual Report.

#### 3.1 UFB1 and UFB2 deployment

CFH's performance targets for UFB1 and UFB2 deployment								
Fiscal Year		Fiscal 2015		Fiscal 2016		Fiscal 2017		Fiscal 2020
		To Jun 2015		To Jun 2016		To Jun 2017		To Dec 2019
		Actual	% Completed	Plan <sup>4</sup>	% Completed	Plan	% Completed	Estimated Total Target
1.	Number of premises <sup>5</sup> handed over by Partners to CFH or the applicable Local Fibre Company (LFC) under UFB1 (thousands)	600	54%	711	61%	847	72%	1170
2.	The number of premises handed over by Partners to CFH or the applicable LFC under UFB2 (thousands)	n/a	n/a	n/a	n/a	TBC	TBC	TBC
3.	The number of broadband end users (such as households and businesses) able to connect to UFB under UFB1 and UFB2 (thousands)	724	54%	812	61%	TBC	TBC	TBC

This class of outputs tracks CFH's progress towards the achievement of the UFB1 and UFB2 Objectives. Measures relating to UFB2 will be added once contracts and deployment plans are in place, and will be reported on during fiscal year 2017.

CFH's performance in terms of the number of premises handed over is based on the number of premises handed over by the Partners, a verifiable and audited measure. CFH's performance in terms of the number of end users (such as households and businesses) able to connect to UFB is measured by CFH and its UFB1 Partners using a geospatial dataset.

Towns/Cities where UFB deployment (excluding any incremental greenfields) has been completed include Whangarei, Waiuku, Hamilton, Te Awamutu, Cambridge, Tokoroa, Rotorua, Tauranga, Taupō, New Plymouth, Hāwera, Whanganui, Masterton, Blenheim, Greymouth, Ashburton, Timaru, Oamaru and Queenstown. The 200,000th UFB customer was connected in April 2016.

<sup>(4)</sup> As per CFH's Statement of Intent for Fiscal Year 2015.

<sup>(5)</sup> Each premises is a single building or structure located on a defined geographical site (as evidenced by a certificate of title), which has a unique physical address recognised by New Zealand Post and is occupied by, or could readily be occupied by, a potential end user or users. For the avoidance of doubt, a multi-tenanted building, such as an apartment block or office building, constitutes a single premises for the purposes of CFH's funding of its Partners.

CFH will develop performance targets for RBI2 and MBSF once contracts and deployment plans are in place.

### 3.2 UFB2, RBI2 and MBSF tenders/ contracts

	CFH's performance targets for UFB2, RBI2 and MBSF tenders / contracts	CFH Targets / Objectives
1	UFB2 contracts, subject to the successful completion of commercial negotiations, expected to be agreed	By end calendar 2016
2	RBI2 and MBSF contracts, subject to the progress of commercial negotiations, expected to be agreed	By end calendar 2017

### 3.3 Successful and Timely Installation of UFB1

CFH works with its Partners to ensure that that UFB is being successfully delivered. As well as the contractual service levels measuring Partners' performance which follow in Section 4, there are two other measures that CFH will focus on improving with partners for fiscal 2017, as follows:

	CFH's performance targets for UFB1 installation	CFH Targets / Objectives
1	Average days to connect to UFB for a Residential Single Dwelling Unit (essentially, a typical NZ household)	Improvement in June 2016 weighted average of 39 calendar days
2	End user satisfaction with UFB installation	Improvement in June 2016 weighted average of 71% satisfied with installation

This is the first year these measures are being reported. The quality of this reporting may be expected to improve as the industry develops its measurement methodology. Average days to connect as reported by Partners includes time taken to achieve consents.

Comparable measures may in due course be added for UFB2 once contracts are in place.

### 3.4 Stakeholder Engagement

CFH in fiscal year 2017 will update its stakeholder and communications strategy, and survey key stakeholders on its performance.

	CFH's performance targets for stakeholder engagement	CFH Targets / Objectives
1	Stakeholder and communications strategy & plan	Agreed plan milestones to be achieved
2	Percentage of key stakeholders satisfied with CFH's performance in: <ul style="list-style-type: none"> <li>• Communicating to them the benefits of UFB; and</li> <li>• Working with them to support uptake of UFB/faster broadband.</li> </ul>	80%

### 3.5 Financial & operational efficiency

Each year the CFH Board, in conjunction with its Shareholding Ministers and the Minister for Communications, plans CFH's future level of resourcing, which depends on:

- The overall progress made towards achieving the UFB1 and UFB2 Objectives as well as, in due course, the RBI2/MBSF Objectives;
- The Partners' performance in satisfactorily meeting their contractual obligations for deployment and operations; and
- The degree to which the Crown investment is actively monitored, based on the current level of risk and the level of support required by the Government.

CFH's performance targets for financial and operational efficiency					
	Financial Year	Fiscal 2015 Actual	Fiscal 2016 Forecast	Fiscal 2017 Forecast	Comment
1.	CFH funding per premises handed over	\$1,113	\$1,095	\$1,105	Measures level of CFH funding for each premises handed over (UFB1)
2.	Percentage of UFB1 Objective completed	54%	69%	82%	Measures progress towards target of 75% population coverage for UFB and percentage of fiscal envelope utilised
3.	Percentage of fiscal envelope invested (UFB1)	49%	63%	75%	
4.	Percentage of UFB2 Objective completed	n/a	n/a	TBC	Measures progress towards target of at least a further 5% population coverage for UFB and percentage of fiscal envelope utilised
5.	Percentage of fiscal envelope invested (UFB2)	n/a	n/a	TBC	
6.	Net CFH operational cost as percentage of annual investment/grants <sup>6</sup>	4%	4%	4%	Measures CFH's efficiency over time against annual investment

The percentage of the UFB1 Objective completed is tracked in terms of end users able to connect, which is closely aligned to the level of New Zealand's actual population with access to UFB. Once contracts are in place for the implementation of UFB2, similar measures are expected to be in place and will be reported on during fiscal year 2017.

Financial statements outlining CFH's planned operational expenditure for fiscal year 2017 can be found in Section 7.

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<sup>6</sup> Includes projected operational costs for UFB2, RBI2 and MBSF. Owing to the costs associated with additional tasks that CFH has been asked to perform in relation to UFB2, RBI2 and MBSF, the net CFH operational cost as a percentage of annual investment is not expected to decline until 2018 as CFH absorbs the additional responsibilities.



## 4. Partners' operational & service performance

CFH monitors the operational and service performance of the Partners as described in this section. This is the Partners' responsibility; CFH's role is to monitor performance to ensure that contractually agreed service levels are being met.

### 4.1 UFB1 service performance

The minimum service performance measures detailed in below have been contractually agreed with the Partners in their agreements with CFH. Enhanced service levels are also available. For clarity, CFH is responsible for monitoring service performance as per its contracts, with the Partners being responsible for meeting these targets.

CFH's Partners' performance targets for UFB1 service performance		
	Service	Target
1.	<i>Provisioning<sup>7</sup> per end user</i> <ul style="list-style-type: none"> <li>• Residential</li> <li>• Business/Priority</li> </ul>	<ul style="list-style-type: none"> <li>• Within 4 business days</li> <li>• Within 6 business days</li> </ul> <i>(or date and time as agreed with the end user)</i>
2.	<i>Layer 2<sup>8</sup> performance per end user</i> <ul style="list-style-type: none"> <li>• Residential Restoration</li> <li>• Business/Priority Restoration</li> </ul>	<ul style="list-style-type: none"> <li>• Within 12 hours</li> <li>• Within 12 hours</li> </ul>
3.	<i>Layer 2 Network Performance per Candidate Area<sup>9</sup></i> <ul style="list-style-type: none"> <li>• Frame Loss<sup>10</sup> (99% of Frames)</li> <li>• Frame Delay (99% of Frames)</li> <li>• Frame Delay Variation (99% of Frames)</li> <li>• Availability Time/Network</li> </ul>	<ul style="list-style-type: none"> <li>• No more than 0.1%</li> <li>• No more than 5ms (milliseconds)</li> <li>• Less than 1ms</li> <li>• Less than 30 minutes or 99.99%</li> </ul>
4.	<i>Layer 1<sup>11</sup> performance per end user</i> <ul style="list-style-type: none"> <li>• Default Restoration</li> <li>• Level 1 Restoration (Priority)</li> <li>• Level 2 Restoration (Priority)</li> <li>• Level 3 Restoration (Priority)</li> </ul>	<ul style="list-style-type: none"> <li>• Within 48 hours</li> <li>• Within 24 hours</li> <li>• Within 12 hours</li> <li>• Within 8 hours</li> </ul>
5.	<i>Layer 1 Performance by Candidate Area</i> <ul style="list-style-type: none"> <li>• Average Downtime</li> <li>• Minimum Availability</li> </ul>	<ul style="list-style-type: none"> <li>• No more than 2 hours</li> <li>• At least 99.98%, measured over a 12-month period</li> </ul>

CFH reports on the UFB1 Partners' progress against these measures in its Annual Report, as well as UFB1 uptake by Candidate Area and UFB product mix.

Once contracts are in place for the implementation of UFB2 and RBI2/MBSF, similar measures are expected to be in place and will be reported on from fiscal year 2018.

<sup>(7)</sup> Provisioning means the installation and activation of a UFB service for an end user such as a household or business.

<sup>(8)</sup> Layer 2 of the Open Systems Interconnection (OSI), associated with active fibre optic network infrastructure.

<sup>(9)</sup> A Candidate Area is one of the 33 towns and cities eligible for UFB, selected on the basis of Statistics New Zealand's 2021 population projections, to meet the UFB1 Objective.

<sup>(10)</sup> A measure of data loss between two specified points.

<sup>(11)</sup> Layer 1 of the OSI Model, associated with passive fibre optic network infrastructure.

## 4.2 Workplace Health & Safety

CFH will ensure that it complies with its obligations under the Health and Safety at Work Act 2015. CFH is committed to the health and safety of its employees, contractors and the community. CFH will continue to encourage the Partners to achieve zero serious harm injuries. CFH will also continually seek to improve health and safety processes, awareness and compliance, across its own organisation and through its involvement in the LFCs, and will encourage its contractors to do the same. CFH benchmarks the performance of the Partners against key health and safety metrics such as the Total Recordable Injury Frequency Rate (**TRIFR**). The performance on TRIFR across the Partners as at 31 March 2016 (on the basis of a rolling 12-month average) is shown below:

CFH's Partners' performance against workplace health and safety benchmark for UFB1				
	Safety Metric	UFB	Benchmarks	
			NZ Construction	NZ Mining & Utilities
1.	TRIFR	6.3	14.5	13.0

By way of explanation, a TRIFR of 10 means there were 10 total recordable injuries (including lost time injuries and medical treatment injuries) per one million hours worked. It is expected that TRIFR across UFB for FY17 should be 7 or less.

Once contracts are in place for the implementation of UFB2 and RBI2/MBSF, similar measures are expected to be in place and will be reported on from fiscal year 2018.



*Rotorua Canopy Tours uses UFB to deliver an innovative tourism experience.  
Full profile on the CFH website.*

## 5. Key business assumptions

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### 5.1 Reporting entity

The reporting entity is CFH (**the Company**). The Group includes CFH and its controlled entities, being the LFCs: Northpower Fibre Limited, Ultrafast Fibre Limited and Enable Networks Limited (**ENL**). CFH is a limited liability company incorporated under the Companies Act 1993, and is a Crown entity as defined by the Crown Entities Act. It is listed in Schedule 4A of the Public Finance Act 1989.

The purpose of the Company is to implement the Government's objectives in relation to the availability of, and access to, UFB by co-investing with private sector participants to deploy telecommunications network infrastructure. As such, CFH's aim is to provide services to the public, rather than make a financial return.

Accordingly, CFH has designated itself as a public benefit entity (**PBE**) for the purposes of New Zealand equivalents to International Financial Reporting Standards (**NZ IFRS**). CFH is a public authority and consequently is exempt from the payment of income tax. Accordingly, no provision has been made for income tax in CFH's financial statements. However, the LFCs are profit-oriented entities and as such are not exempt from the payment of income tax. Accordingly, the Group financial statements reflect the tax of subsidiaries according to the policy set out in Section 6.

### 5.2 Basis of preparation

#### *Statement of compliance:*

The prospective financial statements:

- Are for the years ended 30 June 2016 and 30 June 2017;
- Have been prepared in accordance with the Crown Entities Act, which includes the requirement to comply with New Zealand Generally Accepted Accounting Practice (**NZ GAAP**);
- Comply with FRS-42 Prospective Financial Statements and NZ GAAP as it relates to prospective financial statements; and
- Were authorised for issue by the Board of Directors on 2 June 2016.

Annual historical financial statements for these periods will be prepared in accordance with NZ GAAP, NZ IFRS and other applicable financial reporting standards as appropriate for PBEs, using the policies outlined in Section 6. The Board of Directors is responsible for the prospective financial statements presented, including the appropriateness of the assumptions underlying the prospective financial statements and all other required disclosures.

#### *Measurement base:*

The financial statements have been prepared on a historical cost basis.

#### *Functional and presentation currency:*

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

### *New Zealand International Public Sector Accounting Standards:*

In fiscal year 2015, CFH adopted Tier 1 New Zealand International Public Sector Accounting Standards (**NZ IPSAS**) for PBEs. There have been no material changes to the financial statements, or changes to the presentation of the financial statements on the adoption of NZ IPSAS. The prospective financial information in the Statement of Performance Expectations has been prepared with a consideration of NZ IPSAS and NZ GAAP.

### *Standards and interpretations that are not yet effective and have not been adopted:*

There are a number of standards, amendments and interpretations issued but not yet effective that have not been adopted early. The Group may be subject to further significant changes in future in relation to expected revisions of the Accounting Standards Framework.

## **5.3 Notes to the accounts**

- i. *Interest income*: interest earned on cash balances with financial institutions.
- ii. *UFB income*: connection and access revenue earned by the LFCs.
- iii. *Fair value changes on investments*: gains and losses arising from changes in the fair value of CFH's investments.
- iv. *Depreciation and amortisation*: depreciation charges on property, plant and equipment, including network assets at a Group level.
- v. *Other company overheads*: administrative costs for CFH and the LFCs.
- vi. *UFB contribution – Chorus Securities*: the difference on initial recognition between the fair value of the investment and the contribution by CFH represents CFH's and the Crown's contribution towards deployment by one of its Partners, Chorus, that is funded through the issue of debt and equity securities.
- vii. *Cash and cash equivalents*: cash on hand with New Zealand's major trading banks.
- viii. *Capital*: the Crown investment made in CFH is represented by 1,345,400,200 \$1.00 ordinary shares issued, with 927.9 million shares expected to be fully paid in 2016 and 1,119.9 million shares in 2017. The Crown holds all the issued capital of CFH. All shares have equal voting and dividend rights and share equally in any distribution on wind-up.
- ix. *Available-for-sale reserve*: fair value gains and losses on the investment in ENL.

## **6. Significant accounting policies**

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### **6.1 Revenue**

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

### **6.2 Investment in Chorus**

CFH's investment in Chorus debt securities is categorised as a "loans and receivables" financial asset and is measured initially at fair value and subsequently at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest method. In CFH's financial statements, the investment in unlisted equity securities of Chorus is categorised as an available-for-sale financial asset, and is measured at fair value.

Any difference on initial recognition between the fair value of the investment in the debt and equity securities and the contribution by CFH represents CFH's and the Crown's contribution to the deployment of UFB in New Zealand, and is reflected in the line "UFB contributions – Chorus Securities" in surplus or deficit in the statement of comprehensive income. CFH's investment in Chorus's warrants is treated as a derivative, which is categorised as a "fair value through profit or loss" financial instrument, is measured at fair value and is accounted for in the same manner as the "fair value through profit or loss" financial instruments above.

### **6.3 Creditors & other payables**

Creditors and other payables are non-interest bearing and are normally settled on 30-day terms, therefore the carrying values of creditors and other payables approximate their fair values.

### **6.4 Goods & 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 receivables or 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 excluding GST.

### **6.5 Income tax**

The Company is a public authority and consequently is exempt from the payment of income tax. Accordingly, no provision has been made for income tax by CFH in the Company's financial statements. However, the LFCs are not exempt from the payment of income tax and accordingly the Group financial statements reflect the tax positions of subsidiaries in accordance with the following policies:

- The tax currently payable is based on taxable profit for the reporting period plus any adjustments to income tax payable in respect of prior years. Taxable profit differs from the surplus/(deficit) 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 Group's 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 differences arise from the initial recognition of other assets and liabilities in transactions that affect 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 assets to be recovered;

- Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the periods in which the liabilities are settled or the assets realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities;
- Deferred tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis; and
- Current tax and deferred tax are recognised as an expense or income in surplus or deficit, except when they relate to items recognised in other comprehensive income or directly in equity, in which case the taxes are also recognised in other comprehensive income or directly in equity.

## 6.6 Statement of cash flows

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

- *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;
- *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 current and non-current investments, property, plant and equipment, intangible assets and other non-current assets; and
- *Financing activities* are those activities that result in changes in the size and composition of the contributed equity of the Company.

## 6.7 Critical accounting estimates & assumptions

In preparing these financial statements CFH has made estimates and assumptions concerning the future, which 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. In particular management has exercised its judgement in respect of arriving at the fair values of its investments in Chorus, including assumptions in respect of fibre uptake by Chorus customers by June 2020. Further detail as to the fair value is set out in Section 6.2 above.

CFH, Christchurch City Holdings Limited (CCHL), Enable Services Limited (ESL) and ENL agreed in June 2016 for ESL to purchase CFH's A Shares in ENL. This is funded by CFH advancing funds received from the sale of its A shares through a debt facility with CCHL. For ongoing funding, CFH will advance funds through the CCHL debt facility, which CCHL will advance to ESL in order for ESL to fund ENL's acquisition of UFB infrastructure. The debt facility with CCHL is repayable in May 2021. This transaction will cause a deconsolidation of ENL as a subsidiary from the Group.

Subject to the progress of commercial negotiations, contracts for UFB2 are expected to be awarded by the end of calendar 2016. During fiscal year 2017 a commercial tender for RBI2 and MBSF will be conducted. Subject to the successful completion of commercial negotiations, contracts are expected to be awarded by the end of calendar 2017. Financial assumptions for capital and grant flows associated with these initiatives are consistent with appropriations.

## 7. Financial statements

### Statement of Forecast Comprehensive Income for the Period 2016-2017:

	2015/16 GROUP	2016/17 GROUP
	\$000	\$000
<b>Income</b>		
Interest income	11,244	15,006
UFB income	44,061	52,279
Grant Income	-	15,000
Other income	813	960
Net Fair value gain on derivatives	248	60
Gain / (loss) on sale of subsidiaries	(20,365)	-
<b>Total income</b>	<b>36,001</b>	<b>83,305</b>
<b>Expenses</b>		
Network expenses	11,462	5,948
Directors Fees	663	637
Personnel costs	12,924	16,565
Depreciation expense	22,808	22,961
Professional & advisory fees	2,827	4,346
Other expenses	11,587	12,582
Interest expense	3,595	-
Management fees to Partners	5,490	1,259
UFB contributions - Chorus Equity Securities	46,595	47,801
UFB contributions - Chorus Debt Securities	44,532	44,300
UFB contributions - CCHL Debt Securities	-	16,860
UFB contributions - UFB2	-	33,600
Grants Expenses	-	15,000
<b>Total expenses</b>	<b>162,482</b>	<b>221,859</b>
<b>Net surplus/(deficit) before tax</b>	<b>(126,481)</b>	<b>(138,554)</b>
Tax expense/(credit)	(4,566)	37
<b>Net surplus/(deficit) for the year</b>	<b>(121,915)</b>	<b>(138,591)</b>
<b>Other comprehensive income and expense</b>		
Net fair value changes on available for sale investments	9,310	(552)
<b>Total other comprehensive income and expense</b>	<b>(112,605)</b>	<b>(139,143)</b>
<b>Total comprehensive income and expense for the year</b>		
Attributed to members of the parent	(97,271)	(139,239)
Attributed to non-controlling interests	(15,334)	96
	<b>(112,605)</b>	<b>(139,143)</b>



## Statement of Forecast Changes in Equity for the Period 2016-2017:

	Capital \$000	AFS Reserve \$000	Retained Earnings \$000	Attributable to Equity Holders of Parent \$000	Minority Interests \$000	Total \$000
<b>Opening balance 1 July 2015</b>	737,900	766	(346,237)	392,429	99,541	<b>491,970</b>
<b>Comprehensive income</b>						
Net deficit	-	-	(106,581)	(106,581)	(15,334)	<b>(121,915)</b>
Other comprehensive income and expense	-	9,310	-	9,310	-	<b>9,310</b>
<b>Total comprehensive income and expense</b>	<b>-</b>	<b>9,310</b>	<b>(106,581)</b>	<b>(97,271)</b>	<b>(15,334)</b>	<b>(112,605)</b>
<b>Owners' transactions</b>						
Share transactions with minority interests	-	-	-	-	37,683	<b>37,683</b>
Capital contributions - Crown	190,000	-	-	190,000	-	<b>190,000</b>
Capital contributions - minority interests	-	-	-	-	53,303	<b>53,303</b>
Disposal of subsidiary	-	-	-	-	(37,956)	<b>(37,956)</b>
<b>Closing balance 30 June 2016</b>	<b>927,900</b>	<b>10,076</b>	<b>(452,818)</b>	<b>485,158</b>	<b>137,237</b>	<b>622,395</b>
<b>Opening balance 1 July 2016</b>	927,900	10,076	(452,818)	485,158	137,237	<b>622,395</b>
<b>Comprehensive income</b>						
Net deficit	-	-	(138,687)	(138,687)	96	<b>(138,591)</b>
Other comprehensive income and expense	-	(552)	-	(552)	-	<b>(552)</b>
<b>Total comprehensive income and expense</b>	<b>-</b>	<b>(552)</b>	<b>(138,687)</b>	<b>(139,239)</b>	<b>96</b>	<b>(139,143)</b>
<b>Owners' transactions</b>						
Share transactions with minority interests	-	-	-	-	52,807	<b>52,807</b>
Capital contributions - Crown	192,000	-	-	192,000	-	<b>192,000</b>
Capital contributions - minority interests	-	-	-	-	119,928	<b>119,928</b>
<b>Closing balance 30 June 2017</b>	<b>1,119,900</b>	<b>9,524</b>	<b>(591,505)</b>	<b>537,919</b>	<b>310,068</b>	<b>847,987</b>

## Statement of Forecast Financial Position for 2016-2017:

	2015/16 GROUP	2016/17 GROUP
	\$000	\$000
<b>Current assets</b>		
Cash and cash equivalents	99,859	150,131
Trade and other receivables	4,911	7,837
GST receivable	682	96
Prepayments	233	189
<b>Total current assets</b>	<b>105,685</b>	<b>158,253</b>
<b>Non-current assets</b>		
Property, plant and equipment	304,725	418,789
Loan Investments in CCHL	65,814	85,630
Investments in UFB2	-	8,400
Investments in Chorus Equity Securities	74,734	94,821
Investments in Chorus Debt Securities	77,059	101,331
Deferred tax assets	15,575	15,298
<b>Total non-current assets</b>	<b>537,906</b>	<b>724,268</b>
<b>Total assets</b>	<b>643,591</b>	<b>882,521</b>
<b>Current liabilities</b>		
Creditors and other payables	18,569	33,393
Employee entitlements	1,999	505
Deferred revenue	628	636
<b>Total current liabilities</b>	<b>21,196</b>	<b>34,534</b>
<b>Term liabilities</b>		
Term liabilities	-	-
<b>Total term liabilities</b>	<b>-</b>	<b>-</b>
<b>Total liabilities</b>	<b>21,196</b>	<b>34,534</b>
<b>Net Assets</b>	<b>622,395</b>	<b>847,987</b>
Contributed capital	927,900	1,119,900
Available-for-sale reserve	10,076	9,524
Retained earnings	(452,818)	(591,505)
Minority interests	137,237	310,068
<b>Total equity</b>	<b>622,395</b>	<b>847,987</b>
Equity attributable to parent	485,158	537,919
Non-controlling interests	137,237	310,068
<b>Total equity</b>	<b>622,395</b>	<b>847,987</b>

## Statement of Forecast Cash Flows for 2016-2017:

	2015/16 GROUP	2016/17 GROUP
	\$000	\$000
<b>Cash flows from operating activities</b>		
Receipts from customers	29,854	38,233
Interest received	1,839	1,078
Grants received	-	15,000
Other income	83	-
Payments to suppliers & employees	(35,997)	(60,570)
Interest payments	(2,120)	-
Grants payments	-	(15,000)
Goods and services tax (net)	73	15,234
<i>Net cash inflow/(outflow) from operating activities</i>	<i>(6,268)</i>	<i>(6,025)</i>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(108,887)	(107,317)
Acquisition of investments in Chorus Equity Securities	(71,677)	(61,490)
Acquisition of investments in Chorus Debt Securities	(71,677)	(61,490)
Acquisition of investments in Christchurch City Holdings Limited	-	(31,650)
Acquisition of investments in UFB2	-	(42,000)
Proceeds from sale to minority interests	37,683	52,807
Proceeds from sale of property, plant and equipment	-	-
Net cashflow on disposal of subsidiary	(1,849)	-
<i>Net cash outflow from investing activities</i>	<i>(216,407)</i>	<i>(251,140)</i>
<b>Cash flows from financing activities</b>		
Dividends payments	(625)	(1,562)
Capital contributions – Crown	190,000	192,000
Capital contributions – non-controlling-interests	53,303	116,999
<i>Net cash inflow from financing activities</i>	<i>242,678</i>	<i>307,437</i>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>20,003</b>	<b>50,272</b>
Cash and cash equivalents at the beginning of the year	79,856	99,859
<b>Cash and cash equivalents at the end of the year</b>	<b>99,859</b>	<b>150,131</b>

## Appendix: Directory

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### Shareholders

The Minister of Finance (Hon Bill English) and  
The Minister for State Owned Enterprises (Hon Todd McClay)

### Registered office

c/- Bell Gully  
Level 22, Vero Centre  
48 Shortland Street  
Auckland Central  
Auckland 1010, New Zealand

### Contact address

PO Box 105321  
Auckland 1143, New Zealand

*Email:* [info@crowdfibre.govt.nz](mailto:info@crowdfibre.govt.nz)

*Phone:* +64 9 912 1970

*Web:* [www.crowdfibre.govt.nz](http://www.crowdfibre.govt.nz)

*Fax:* +64 9 368 9201

### Auditor

The Auditor-General, pursuant to section 15 of the Public Audit Act 2001

### Solicitor

Bell Gully

### Bankers

ANZ Bank New Zealand Limited  
Bank of New Zealand Limited  
ASB Bank Limited

### Senior Management

Graham Mitchell, Chief Executive  
Sean Wynne, Chief Commercial Officer  
Philip Campbell, Chief Financial Officer  
John Greenhough, Chief Technology Officer  
Rohan MacMahon, Strategy Director  
Kathryn Mitchell, General Counsel

### Board of Directors

Simon Allen (Chairman)  
Miriam Dean CNZM QC  
Danelle Dinsdale  
Jack Matthews  
Dr Murray Milner  
Keith Tempest