



Crown  
Infrastructure  
Partners

# **BUILDING TOGETHER**

*Hanga Ngātahi*

**ANNUAL REPORT 2018**  
FOR YEAR END 30 JUNE 2018

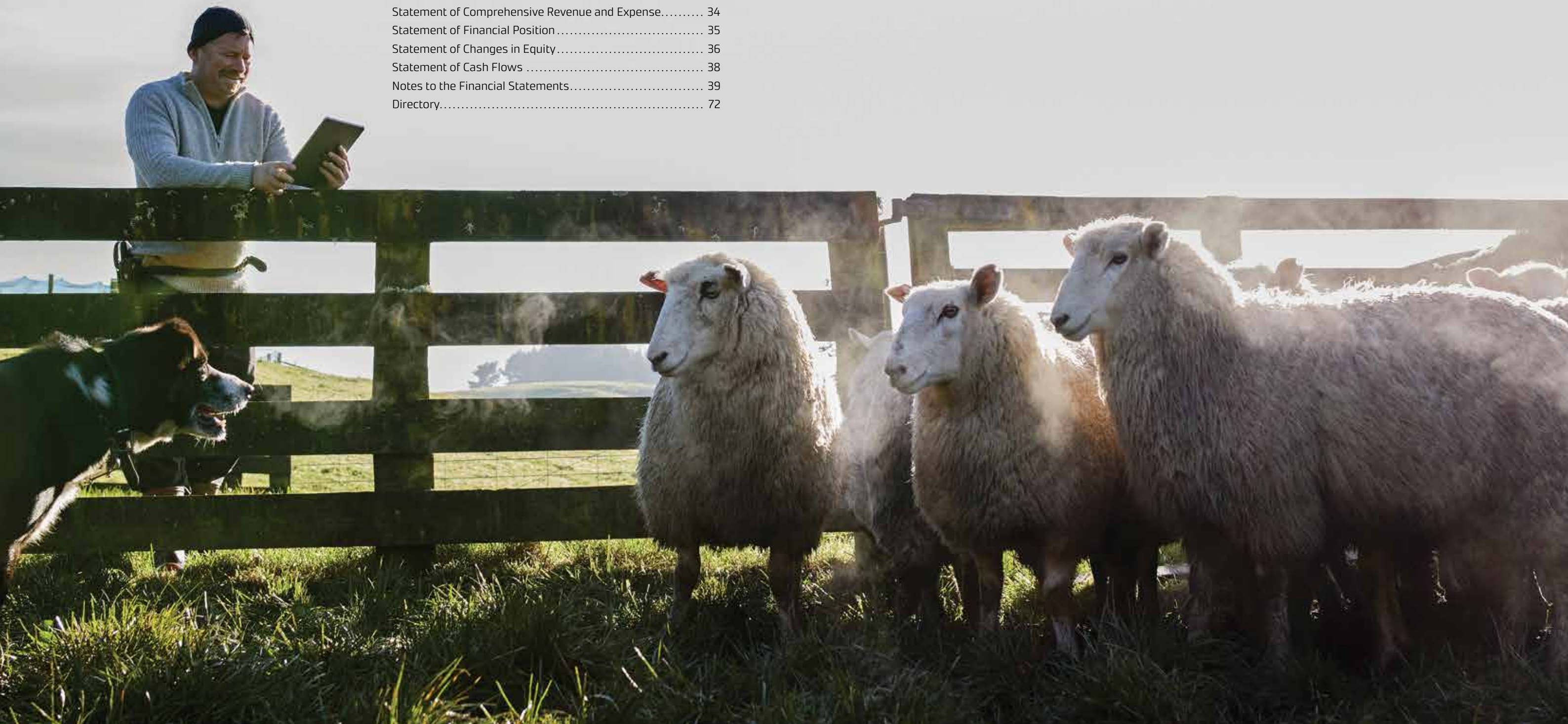






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**“CROWN INFRASTRUCTURE PARTNERS IS PROUD OF THE CONTRIBUTION IT IS MAKING TO A STRONG & GROWING NEW ZEALAND”**






UFB UPTAKE **44%** **9%** ↑

UFB CONNECTIONS **↑192,298**  
**605,345**

UFB **50** CITIES/TOWNS COMPLETE **+28** ↑

UFB AVAILABILITY **↑**  
**1.4** **188,116** million  
HOUSEHOLDS + BUSINESSES

UFB POPULATION COVERAGE **70%** **+10%** ↑  


CONNECTIONS **>=100Mbps**  
**77%** **14%** ↑  
ABSOLUTE INCREASE

UFB INVESTMENT  
**\$145m**  
INVESTMENT MADE 2017/18

GIGABIT CONNECTIONS **↑158%**  
**29,463**

The nationwide product launch of gigabit wholesale services has made NZ one of the leading countries in the OECD for gigabit services.

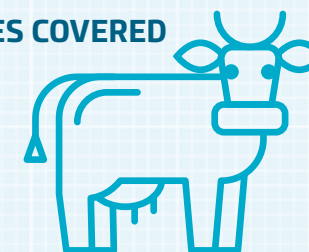
DATA DOWNLOADED PER UFB CONNECTION  
**297Gb** **+34%**  
PER CONNECTION, PER MONTH

CONNECTION PERFORMANCE  
**20** AVERAGE DAYS (RESIDENTIAL) **↓6** ✓  
**75%** **↓-1%**  
INSTALLATION SATISFACTION

RURAL BROADBAND COVERAGE TO DATE

**31,755**  
HOMES & BUSINESSES COVERED

**43%**  
OF TARGET



MOBILE TOWERS RURAL AND BLACKSPOTS  
**167** **2**  
SITE ACQUISITION UNDERWAY TOWERS COMPLETE

RURAL MOBILE AND BROADBAND

**\$9.8m**  
FUNDED 2017/18

APPROPRIATION

**\$145m**  
**\$30m**  
LESS THAN EXPECTED

The funding provided to CIP from the government for the delivery of government policy programmes

NET EARNINGS

**(\$65.6m)**  
BETTER THAN BUDGET BY  
**\$45.6m**

This is the total comprehensive income for the company. CIP losses were better than budgeted.

INFRASTRUCTURE INVESTMENT TO DATE

**\$1.17 BN**  
(UFB + GRANT) **+\$155m**

STAFF ENGAGEMENT

**4.34/5**

AN INCREASE OF 0.4 SINCE 2017  
ENGAGEMENT % RANK  
**81%**  
AGAINST NZ NORM GROUP

HEALTH & SAFETY

**3.3** **↑** UP FROM 2.92  
TRIFR NZ CONSTRUCTION INDUSTRY RATE IS 10.25

TOTAL RECORDABLE INJURY FREQUENCY RATE



# REPORT OF THE CHAIR AND CHIEF EXECUTIVE



**CROWN INFRASTRUCTURE PARTNERS HAS EXPANDED ITS SCOPE OF OPERATIONS AS A RESULT OF THE GOVERNMENT REPURPOSING THE ORGANISATION IN SEPTEMBER 2017 TO DEVELOP COMMERCIAL MODELS FOR BULK INFRASTRUCTURE INVESTMENT, IN ADDITION TO OUR EXISTING BROADBAND AND MOBILE DEPLOYMENT RESPONSIBILITIES.**

## NEW RESPONSIBILITIES

This year has seen considerable change for Crown Infrastructure Partners (CIP) as the Company was repurposed in September to carry out development of commercial models to enable public and private co-investment in bulk infrastructure<sup>1</sup>, in order to support growth in housing supply. Crown funding of \$600 million was appropriated for this programme of work in Budget 2018.

In addition, CIP has overseen the contracting and commencement of phase two of the Rural Broadband Initiative/ Mobile Black Spot Fund programme (RBI2/MBSF), and the continuation and further expansion of the Ultra-Fast Broadband (UFB) programme.

CIP is now focusing on three areas - infrastructure financing, the RBI2/MBSF programme and the UFB programme.

CIP's new responsibilities came as a response to some metro councils experiencing population growth but facing challenges with financing the infrastructure to support this growth from their own balance sheets. CIP has developed a commercial model

that enables co-investment with private sources of capital for infrastructure to support housing growth. The infrastructure eventually vests in the council and the borrowing to support this investment does not sit on the council's balance sheet. The funding for the infrastructure is ultimately repaid by the beneficiaries of the new infrastructure, being households and businesses in the new developments. The new CIP model will significantly accelerate the rollout of large-scale housing developments compared with the status quo.

CIP is in the process of finalising an initial transaction with a metro council and a developer to demonstrate the new model's viability. We expect an announcement will be made on this transaction in due course.

## RURAL BROADBAND INITIATIVE PHASE TWO AND MOBILE BLACK SPOT PROGRAMME

In August 2017, the Prime Minister and the Minister of Communications announced that CIP had entered into ten contracts for the delivery of the RBI2/MBSF programme by

“THIS YEAR CIP WAS  
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INFRASTRUCTURE”



<sup>1</sup> Bulk housing infrastructure includes arterial roads and connecting waste, storm and potable water networks.



2022, to provide broadband access to approximately 74,000 rural households and businesses, and mobile coverage to approximately 1,000 kilometres of state highways and 110 tourism areas.

Since that announcement, CIP has been working with its new RBI2/MBSF partners to establish the programme and commence deployment of infrastructure. The programme is now pleasingly scheduled to be substantially complete by 2021 and is currently ahead of plan.

An early highlight was commissioning a new mobile tower in the town of Haast on the West Coast of the South Island in May 2018. Haast is in the middle of a 226 kilometre mobile coverage black spot that runs from Fox Glacier to Lake Hāwea. Increasing numbers of tourists are using the Haast Highway, and the lack of mobile coverage for emergency services meant safety was becoming a concern. The Minister of Broadcasting, Communications and Digital Media announced on 7 May 2018 that the new mobile tower had been installed and was operational for customers on all three mobile networks, effectively breaking up the black spot and providing the first-ever mobile coverage for Haast and the surrounding area.

More widely, CIP has been working closely with RBI2/MBSF partners to develop their build plans and deployment schedules, as well as supporting them with access to government-owned land where appropriate via government organisations such as the Department of Conservation, Police and the New Zealand Transport Agency.

CIP's Wireless Internet Service Provider (**WISP**) partners are upgrading and expanding their existing broadband networks in rural areas around the country. All of the WISP partners had pre-existing businesses with established local relationships. This enabled them to move at pace with deployment, and they are making good progress with signing up new customers to receive faster broadband and improving broadband performance for existing customers. Over 31,700 rural households and businesses now have access to improved broadband, 13 tourist sites and 100 kilometres of state highway now have mobile coverage.

The Rural Connectivity Group (**RCG**)<sup>2</sup>, CIP's partner for rural broadband, as well as for the MBSF programme, has developed its pipeline of planning, site acquisition and resource consenting with deployment now underway in various rural locations around the country. RCG's build programme will start at capacity in 2019 following site acquisition, and RCG expects to build around 150 new mobile towers in 2019 and more than 250 in 2020.

**PROGRESS WITH THE UFB PROGRAMME**

UFB coverage has continued to expand, now reaching 70% of the population, and cities such as Christchurch, Dunedin, Invercargill, Nelson and Gisborne have been completed. The overall UFB programme is over 75% complete, which is 7% ahead of schedule. More than 1.4 million households and businesses can now connect to UFB.

The UFB programme was expanded a second time in August 2017, when the Government announced that a further 190 towns would receive UFB, taking the national total to 393 cities and towns and 87%<sup>3</sup> population coverage. In addition to the second UFB expansion, CIP negotiated an acceleration of the UFB programme so that the expansion programme will now be completed by 2022 instead of the previous target of 2024.

There are 48 cities and towns with UFB build underway, with seven UFB expansion towns now complete - Hikurangi, Waipu, Ruatoria, One Tree Point, Thames, Ruby Bay and Hokitika. Fifty towns and cities are now complete, as is the entire original UFB build programme for the South Island. There are only ten original UFB cities and towns left to complete by 2019.

Households and businesses are continuing to embrace UFB in record numbers, with approximately 192,300 connecting during the year (a new record) at an average of 772 per day. Overall uptake is 44% and seven cities have uptake of over 50%. Higher-speed fibre products are constituting a greater proportion of overall UFB connections, with 90% of connections now being at least 100 Mbps, and the other 10% being up to gigabit speeds. End users are downloading up to 297 gigabytes of data per month in UFB areas.

In August 2018, CIP received the inaugural *Transformational Infrastructure* award from Infrastructure New Zealand. The award is given to an organisation involved in using infrastructure to transform the everyday lives of New Zealanders while providing a platform for economic development and growth. CIP was acknowledged for its role in the management and delivery of the UFB programme.

**FINANCIAL RESULTS**

During the year CIP exceeded its financial targets as set out in the Statement of Performance Expectations 2017-2018. CIP's net loss before fair value movements on UFB investments was \$8.1 million compared with a planned net loss of \$8.2 million. CIP's net loss for the financial year ended 30 June 2018, including fair value and UFB contributions, was \$65.6 million compared with a planned net loss of \$111.5 million for the year. The significantly positive variance reflects the subdued interest rate markets, and the timing of payments to build partners. For CIP, this meant that the impairment of investments was less than plan.

CIP funding was primarily capital from the Government, supplemented by cash reserves from the early exit of its shareholding in Ultrafast Fibre, with \$34 million on hand at 30 June 2018. CIP has made a total of \$145 million in capital calls from the Government during the year, of which \$135 million was an appropriation for the original UFB programme and \$10 million was for the UFB expansion. Appropriated funds of \$30 million were not drawn as CIP had sufficient cash flow at the time. New investment in UFB partners in fiscal year 2018 was \$144.6 million, and \$9.8 million was invested with RBI2/MBSF partners for rural broadband and mobile coverage deployment.



CIP received the the inaugural Transformational Infrastructure award from Infrastructure New Zealand - Patrick Brockie, Graham Mitchell, Simon Allen, Duncan Olde.

**WORKPLACE HEALTH AND SAFETY**

The Total Recordable Injury Frequency Rate<sup>4</sup> (**TRIFR**) is currently at 3.3, which has remained constant over the 12 month period across the UFB and RBI2/MBSF programmes and is a slight increase from 2.92 at this time last year. There were two reportable partner injuries notified to the regulator during the year, and 42 recordable injuries in total, which is the same as the previous year's number. This year saw 10.9 million hours worked compared to 10.6 million in 2016/17. Maintaining a low frequency rate is a reflection of CIP's and the build partners' continued focus on workplace safety.

Overall, CIP and partners' injury rates compare favourably with the New Zealand construction industry rate of 10.25 TRIFR. CIP continues to operate a regular health and safety forum with project partners, where incidents are reviewed, performance is reviewed, and industry best practice and any actions raised from incident recommendations are discussed. There is a continued focus on health and safety improvements across the programme.

**OUTLOOK FOR 2019**

In the next fiscal year CIP's focus and principal goals will include:

- **Infrastructure to support housing growth** - Working with high-growth councils to develop further transactions using the commercial model, to support an increase in housing supply;
- **RBI2/MBSF** - Establishing and contracting for further expansion of coverage, and continuing deployment under the RBI2/MBSF programme;
- **UFB** - Increasing availability to 1.55 million businesses and households, lifting the total number of cities and towns

with UFB to 74, commencing deployment for another 30 towns, and continuing to focus on improving connection performance; and

- **Health and safety** - Continuing to maintain a strong focus on health and safety across the UFB and RBI2/MBSF programmes.

CIP extends its appreciation to the people and organisations who contributed to the ongoing success of the UFB programme. We also thank and acknowledge our RBI2/MBSF partners for their work in starting deployment of the RBI2/MBSF build programme in various rural localities around the country. Finally, we wish to thank the councils, advisers and financiers we are working with in developing the commercial model and initial transaction for bulk housing infrastructure.

CIP is proud of the contribution it is making to a strong and growing New Zealand. We look forward to continuing to assist the Government with its infrastructure programmes in telecommunications and urban housing, to improve the connectivity and lifestyles of communities throughout the country.

  
Simon Allen  
Chair  
13 September 2018

  
Graham Mitchell  
Chief Executive  
13 September 2018

<sup>2</sup> The Rural Connectivity Group is a joint venture with the three mobile network operators Spark, Vodafone and 2degrees.  
<sup>3</sup> Includes 1% privately funded fibre coverage.

<sup>4</sup> Total recordable injuries include all injuries requiring medical treatment, restricted work time or lost time per one million hours worked.



# THE CIP BUSINESS HAS EXPANDED TO FOCUS ON THREE AREAS

**The infrastructure financing programme, phase two of the Rural Broadband Initiative & Mobile Black Spot Fund programme and the Ultra Fast Broadband programme**



# BULK HOUSING INFRASTRUCTURE

**CIP HAS DEVELOPED A COMMERCIAL MODEL THAT ENABLES THE CROWN, LOCAL GOVERNMENT AND THE PRIVATE SECTOR TO JOINTLY INVEST IN BULK HOUSING INFRASTRUCTURE.**

The goal is to significantly bring forward the building of bulk housing infrastructure, which will in turn allow new houses to be built now and in the coming years rather than those houses being built incrementally over time.

This work is all about creating the environment to greatly increase the supply of housing. It also assists councils by reducing the financial burden that would otherwise be placed

on them for the funding of bulk housing infrastructure.

CIP is working with high-growth councils (Auckland, Hamilton, Tauranga and Queenstown Lakes) to form a pipeline of potential projects for investment.

CIP has undergone internal reorganisation to support this new initiative.

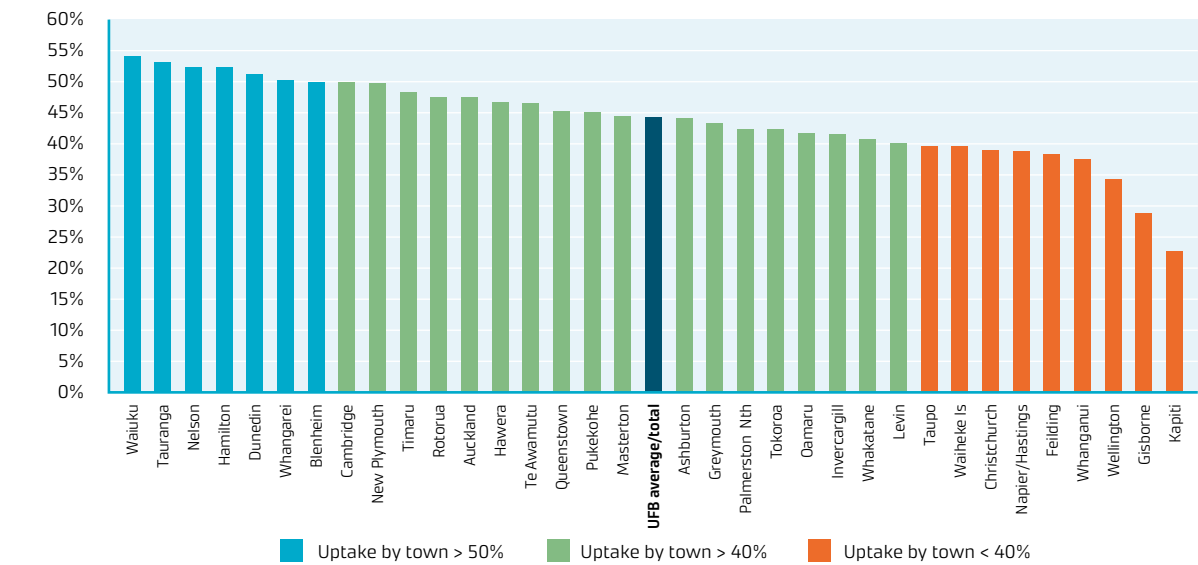




# ULTRA FAST BROADBAND

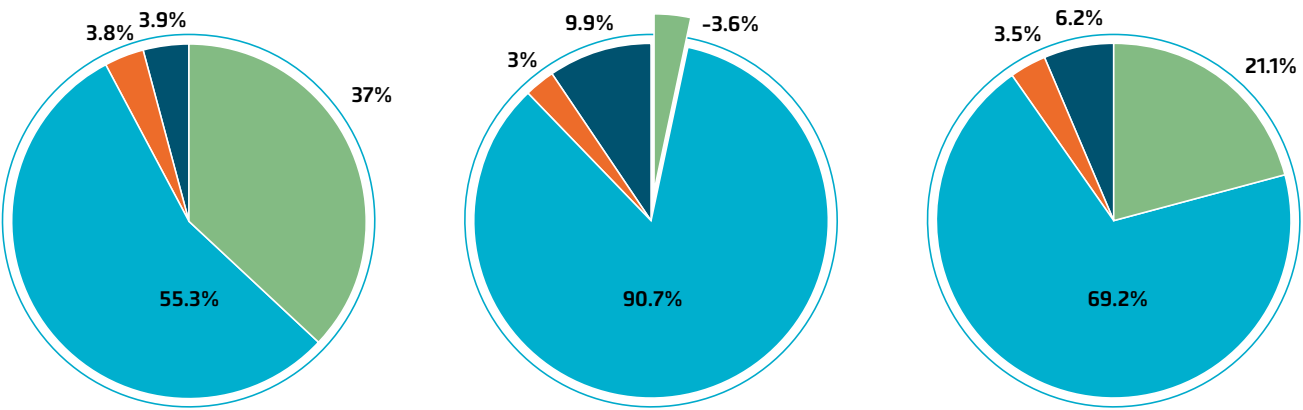
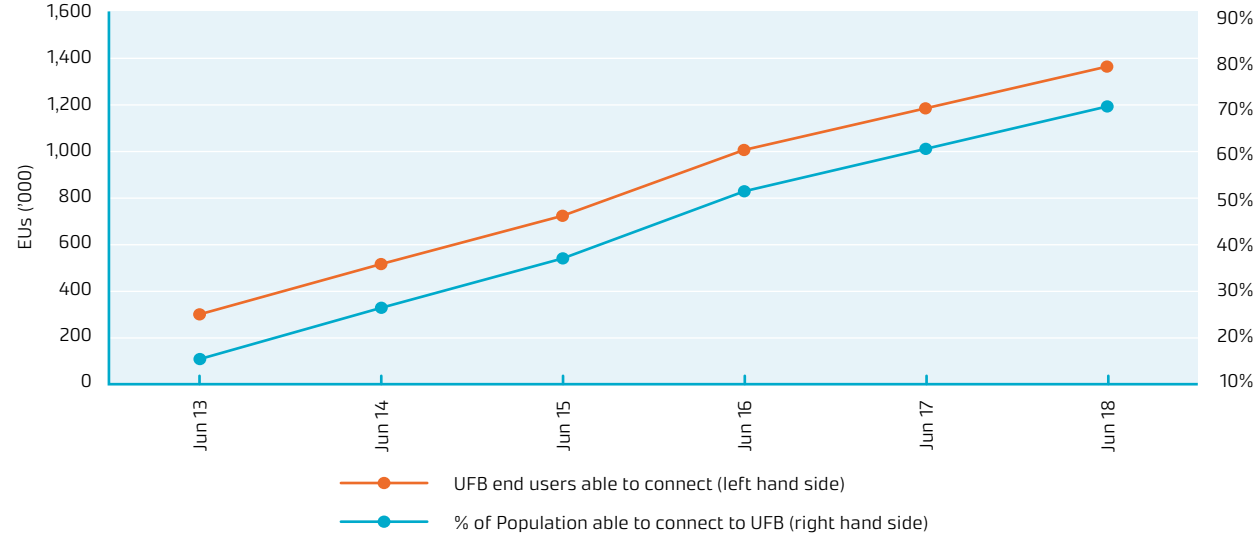
HOUSEHOLDS AND BUSINESSES ARE CONTINUING TO EMBRACE UFB IN RECORD NUMBERS, TAKING ADVANTAGE OF ALL THE BENEFITS THAT FIBRE BRINGS. OVER 192,300 CUSTOMERS CONNECTED DURING THE YEAR (A NEW RECORD) AT AN AVERAGE OF 772 PER DAY. OVERALL UPTAKE IS 44% AND SEVEN CITIES HAVE UPTAKE OF OVER 50%.

UPTAKE BY TOWN/CITY



During FY18, 188,116 more end users could connect to UFB. This is an increase of 16% from the previous year and now 70% of the population have access to ultrafast broadband. The UFB programme is 7% ahead of schedule.

UFB COVERAGE



TOTAL CONNECTIONS  
AS AT 30 JUNE 2017

CONNECTIONS ADDED  
IN FISCAL 2018

TOTAL CONNECTIONS  
AS AT 30 JUNE 2018

More end users have switched away from <100Mbps products than have switched to 100Mbps products

UFB PRODUCT MIX: <100 Mbps 100 Mbps 200 Mbps 1000 Mbps



Children at Mania View School enjoying UFB.



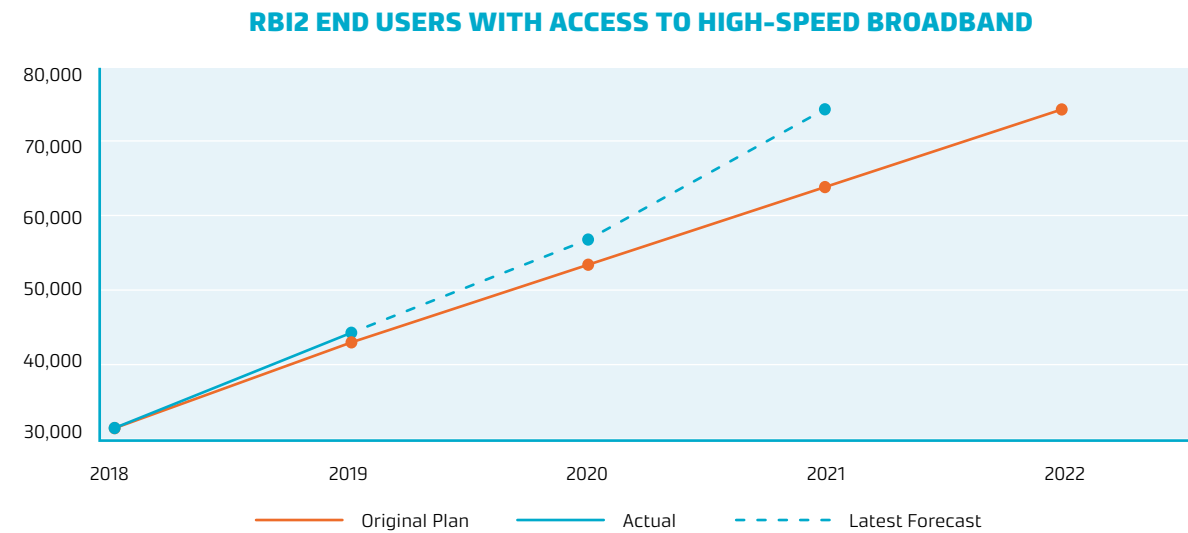
Steve Fuller CEO of Enable at Enable UFB completion event.

## 75% UFB BUILD COMPLETED



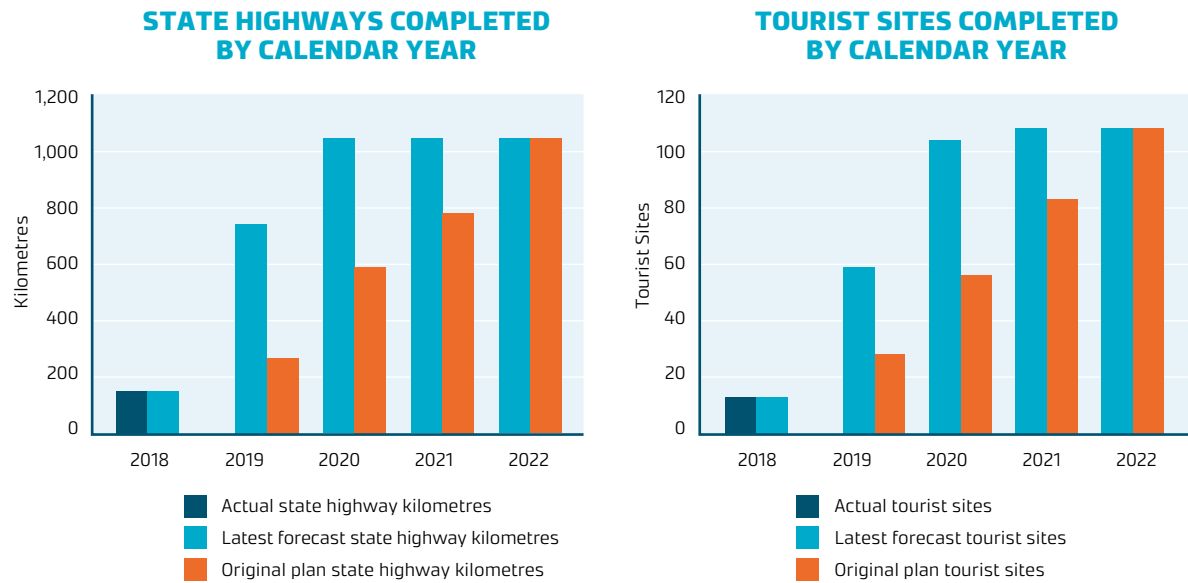
# RURAL BROADBAND COVERAGE

PLEASING PROGRESS WAS MADE DURING FY18 ON IMPROVED BROADBAND ACCESS TO RURAL HOUSEHOLDS AND BUSINESSES, WITH ACTUAL PROGRESS AHEAD OF PLAN AND THE CURRENT CONTRACTED PARTNERS EXPECTED TO SUBSTANTIALLY COMPLETE THE BUILD PROGRAMME BY THE END OF 2021, NEARLY A YEAR AHEAD OF THE ORIGINAL PLAN.



## STATE HIGHWAY AND TOURISM SITES COMPLETED TO DATE

The RCG is making good progress developing the pipeline for, and acquiring, sites for new mobile towers to cover mobile black spots in tourism areas and on State Highways.



Lake Wahapo on West Coast - Mobile tower built by RCG



WIZwireless - Micro-solar site at Flatpoint, South Wairarapa

Additional funding has been made available to expand the Rural Broadband Initiative and Mobile Black Spot Fund further, to cover further state highways, tourism spots and households and businesses in the areas yet to be covered. Negotiations are currently underway with several potential counterparties.



### STATE HIGHWAY COVERAGE

- >1,000 kilometres
- 32 state highways with improved mobile coverage



### TOURISM SITES

- Around 100 sites with mobile coverage
- Iconic tourism sites such as Cape Palliser Lighthouse, Milford Sound and Tāne Mahuta



### RURAL BROADBAND COVERAGE

- Around 74,000 households and businesses
- Up to 3% of the population



## CASE STUDY - PRIMO WIRELESS

# RBI2 PARTNER FOR TARANAKI STARTED WITH FIREWORKS & NEVER LOOKED BACK

**PRIMOWIRELESS SEEMS TO BE EVERYWHERE IN TARANAKI. MAYBE IT'S THE UTES CARRYING THE DISTINCTIVE MULTI-COLOURED LOGO, SYMBOLISING THE FIREWORKS THAT QUITE LITERALLY MARKED THE START OF THE BUSINESS.**

About 12 years ago Primo's founder, Matthew Harrison, was working at Powerco, the local electrical lines company. He and a mate were passionate about online gaming. Both lived in Inglewood, a few kilometres apart - one rural, the other urban (or as near to urban as Inglewood gets).

Gaming's an activity where, for the true enthusiast, speed is king - a nanosecond too slow and you die! So they wanted to connect their computers directly, bypassing slow phone lines.

They knew line-of-sight radio could allow them to cobble together their own connection and increase their speeds, so they started by putting antennas high on their rooftops. But in the flat terrain, with no binoculars at hand and with significant distance to contend with, they had no way to prove whether their homes could see each other.

## PROBLEM SOLVED

So they each clambered onto their rooftops and at the appointed time lit rockets left over from Guy Fawkes. They found they did have a line-of-sight connection at the achievable altitude. Game on!

Their indoor antennas did the job perfectly. That part is not rocket science - there's an old joke about using household cooking woks for connectivity.

However, the fireworks had attracted the curiosity of neighbours who, in broadband-starved Taranaki, wanted in. Then the daughter of a neighbour from further afield enquired and was given a connection too. Almost by accident, Taranaki had a new telecommunications provider.

Meanwhile, Matthew had left Powerco to work in a local computer shop, where he came to realise that a huge number of Taranaki people were craving better broadband. A mate was working for Inspire Net, so Inspire let Primo resell its connectivity, initially across four ADSL copper lines. Primo went on to negotiate a backhaul service from Kordia in New Plymouth which was a mere 30 Mbps, but which Matthew says seemed a lot at the time. By 2007 he had an incorporated company, half a dozen wireless sites and a brand.

## COVERING CUSTOMERS HIGH AND LOW

Eleven years on, PrimoWireless is a Taranaki icon, with more than 3,000 customers served by around 80 transmission sites. It offers a choice of fibre (where available), copper, or Wireless Internet

Service Provider (WISP) wireless connectivity. Centred around Mount Taranaki, Primo extends from the west coast to Mokau in the north, Whangamomona in the northeast, and approaching Patea in the south.

The ratio of customers to sites is high by WISP standards - for example, the German Hill site (pictured) connects 180 customers, which is a big customer count for a WISP tower by any standards. The Taranaki terrain is a unique combination of mountains and lowlands. In the east the province comprises very rugged ridges and valleys. In the west there's lots of flat land but a highly inconvenient mountain that blocks line-of-sight traffic. Primo responded to the latter early on by building a spider's web, starting with a ring of sites right around the mountain to serve the huge population of dairy farmers. The site on the very picturesque German Hill, with its stunning views, is pivotal to this.

Primo is CIP's RBI2 partner for Taranaki and has been awarded a significant contribution from the government to upgrade sites and expand coverage as part of the RBI2 programme. Primo started building and upgrading sites within days of the contract being awarded in August 2017.

## THE FUTURE OF RURAL BROADBAND

Matt focuses on delivering speeds to his customers that are only typically seen in urban markets on UFB. He is proud that many of the recently upgraded towers are delivering up to 50 Mbps download to customers.

Finding the technical people with the versatility to run the business is a challenge. "WISPs are a unique sub-set of the IT sector," Matthew says. "The younger ones take a while to train - everything is learned on the job. Versatility is crucial - they need to understand IT, working at heights, safe four-wheel driving in steep terrain, computers, solar power, and building. The last guy we recruited was a landscape gardener, who has useful knowledge when we need to build retaining walls. Safety is an absolute priority."

Primo Wireless has contracted with CIP to cover approximately 300 households and businesses with improved rural broadband. We look forward to working with Matthew and his team to make a difference in the Taranaki region.

“MANY UPGRADED  
TOWERS ARE  
DELIVERING  
UP TO 50MBPS  
DOWNLOAD TO  
CUSTOMERS”



*Primo founder Matt Harrison by one of his wireless sites by Mount Taranaki.*



## CASE STUDY - HAAST MOBILE TOWER

# NEW MOBILE TOWER CONNECTS HAAST TO CRITICAL SERVICES

**THE WEST COAST REGION SUFFERS FROM A GREAT LACK OF CONNECTIVITY BECAUSE OF THE RUGGED RURAL TERRAIN AND LACK OF COMMERCIAL VIABILITY FOR MOBILE OPERATORS.**

In May 2018 the Rural Connectivity Group (RCG), in partnership with Crown Infrastructure Partners, switched on a long-awaited new 3G mobile tower in Haast - finally connecting the township to the rest of the country's mobile network. This was the first time the township of Haast received a mobile service.

Haast sits in the middle of a 244 kilometre mobile black spot that runs from Fox Glacier to Lake Hāwea. You could drive for three hours straight without getting mobile phone reception - meaning that help isn't easy to access if you have an accident. Every year hundreds of thousands of motorists drive the Haast Pass route, which is considered one of New Zealand's most dangerous state highways.

## FAST TRACKING CONNECTIVITY

With the huge amount of tourist traffic and significant number of road accidents, it was clear that action was needed to provide a connectivity solution for Haast.

Broadcasting, Communications and Digital Media Minister, along with the Rural Communities Minister, visited Haast earlier in the year and announced the accelerated build of the mobile tower because of the safety concerns and the impact these had on the community and tourists in the area.

The new mobile tower, which has been built on Marks Road in the centre of Haast township, provides 3G mobile coverage for approximately 3 kilometres - covering the town and State Highway 6 north and east of Haast.

Residents and visitors can now text, make phone calls and access the internet on all three mobile networks - Spark, Vodafone and 2degrees.

## CHALLENGING CONDITIONS TO BUILD

With the help of the Westland District Council, the Haast community, ElectroNet, Crown Infrastructure Partners, and Vodafone, Spark and 2degrees - RCG was able to accelerate the build even further, switching the tower on three weeks earlier than planned.

However, the build wasn't without difficulty - new mobile tower locations need to have a power source and connections back to the core telecommunications network.

A team from Downer pulled out all the stops and worked on site for 15 days straight to get the tower switched on. Having to deal with torrential downpours and sandfly attacks, Brett Jenkins from Downer describes the conditions as "up there" on the difficulty scale.

"It was all hands-on deck to get the tower up and operational quickly. Not only were there challenges with the weather, we also had to fit three sets of electronic equipment onto the small compound," says Brett.

Local West Coast company ElectroNet was on site and completed the civil work, including the earthworks, laying the concrete pad and standing the pole up.

## A WORLD FIRST

The tower in Haast is the first site in the world where all three mobile networks are working together and sharing one tower.

Spark, Vodafone and 2degrees agreed to collaborate and work together to ensure the success of the Rural Broadband Initiative Phase Two and Mobile Black Spot programme for all New Zealanders.

Haast is currently the first site in New Zealand where all three networks are operating on satellite backhaul. Satellite backhaul was deployed to get the mobile services established quickly in Haast; however, RCG is now working on changing to digital microwave radio backhaul for the facility. This is in collaboration with TeamTalk, which has an existing link into Haast with spare capacity. The technical challenges of satellite linking also added an extra level of complexity to the build of the facility.

## HAAST NOW A POCKET OF CONNECTIVITY FOR ROAD USERS

The focus of the new tower in Haast was to immediately improve road safety in the area. Sole charge local police officer Paul Gurney says that a lot of accidents happen as the locals work in "hard country" and it can take up to an hour to get word out about an incident.

The 3 kilometre stretch of mobile phone reception in Haast has sped up reaction times for St John, fire services and the Police to get to road incidents.

Myreen Kain, owner of Haast River Safari, is now able to use mobile phones to communicate between the office and the river, where their tourist boat tours leave from.

"Previously we had to re-route calls from our landline out to a satellite phone at the river but having mobile phone coverage is really making things a lot easier," Myreen says.

"It's a great thing for the community, especially in emergency situations, and something we have needed for years."

The Rural Communities Minister says "All New Zealanders, no matter where they live, should have a reasonable ability to live, work and run businesses and to contribute to and be a part of New Zealand society. I look forward to further advances in connectivity for our vital regions."

“THE NEW TOWER  
HAS IMPROVED  
SAFETY ON A  
DANGEROUS STRETCH  
OF SH6 NORTH AND  
EAST OF HAAST”



Local police officer Paul Gurney



PARTNER PROFILES

CIP’S PARTNERS FOR THE  
UFB PROGRAMME ARE:



**Chorus** is New Zealand’s major telecommunications infrastructure company. It is the largest of CIP’s co-investment partners and is deploying UFB in over 340 cities and towns throughout New Zealand, covering over one million end users. Chorus is listed on the NZX and ASX.

End users covered to date	949,920
% of total coverage complete	67%
Uptake across all areas	44%



**Ultrafast Fibre Limited (UFF)**, now 100% owned by Waikato Networks Limited, is the LFC which has deployed UFB in the urban areas of Hamilton, Tauranga, Whanganui, New Plymouth, Tokoroa, Hawera, Cambridge and Te Awamutu. UFF is also deploying UFB to 13 towns throughout the central North Island as part of the UFB expansion programme, which CIP is partly funding through an interest-free loan.

End users covered to date	200,378
% of total coverage complete	89%
Uptake across all areas	50%



**Northpower** is an electricity distribution network operator in Northland and one of the largest multi-utility contractors in New Zealand. Northpower and CIP are joint shareholders in Local Fibre Company (LFC) Northpower Fibre Limited (NFL), which has completed the UFB network deployment in Whāngārei. NFL sells wholesale fibre services to Retail Service Providers (RSP). Northpower LFC2 Limited, which is a wholly owned subsidiary of Northpower Limited, is responsible for deploying UFB in towns throughout Kaipara and Whāngārei districts under the UFB expansion programme, which CIP is partly funding through an interest-free loan.

End users covered to date	25,469
% of total coverage complete	76%
Uptake across all areas	47%



**Enable Services Limited (ESL)**, a subsidiary of Christchurch City Holdings Limited (CCHL), completed its contracted obligations with CIP to deploy the UFB network in Christchurch, Rangiora and surrounding areas, in partnership with CIP. ESL owns Enable Networks Limited (ENL), the LFC that owns and operates the UFB network and sells wholesale fibre services to RSP. CIP funded a portion of this build through an interest-free loan to CCHL, which provides funding to ESL, which in turn advances funds to ENL to fund the build of the UFB network. The advance is repayable in May 2021 and is secured over the assets of ENL and the shares and debt held by ESL in ENL. CIP restructured its equity holding in ENL into a secured loan with CCHL in June 2016.

End users covered to date	203,101
% of total coverage complete	100%
Uptake across all areas	39%

CIP’S PARTNERS FOR THE  
RBI2/MBSF PROGRAMME ARE:



**The Rural Connectivity Group (RCG)** is an entity established to build the mobile infrastructure shared by New Zealand’s three mobile network operators (Spark, Vodafone and 2degrees) and to operate and maintain the new open access mobile network in partnership with CIP. RCG operates as a wholesale-only company, with the three mobile operators providing retail mobile and broadband services from all RCG towers. RCG is deploying both rural broadband and mobile black spot coverage. RCG is currently contracted to deliver improved broadband coverage for 33,000 households and businesses, and mobile coverage for around 1,000 kilometres of state highway and approximately 100 tourism sites.



**Amuri.net** is a WISP contracted to provide service primarily in the North Canterbury region. Amuri.net is contracted to make improved rural broadband available to approximately 480 households and businesses.



**AoNet** is a WISP contracted to provide service primarily to the King Country region. AoNet is contracted to make improved rural broadband available to approximately 750 households and businesses.



**Gisborne Net** is a WISP contracted to provide service primarily in the Gisborne and Northern Hawke’s Bay regions. It provides a commercial service to Rocket Lab, not funded by CIP. Gisborne Net is contracted to make improved rural broadband available to approximately 1,500 households and businesses.



**Inspire Net** is a WISP contracted to provide service primarily in the Manawatu and Whanganui regions. Inspire Net is contracted to make improved rural broadband available to approximately 1,600 households and businesses.



**NZTech** is a WISP contracted to provide service primarily in central Hawke’s Bay. NZTech is contracted to make improved rural broadband available to approximately 350 households and businesses.



**PrimoWireless** is a WISP contracted to provide service primarily in the Taranaki region. PrimoWireless is contracted to make improved rural broadband available to approximately 300 households and businesses.



**Ultimate Broadband** is a WISP contracted to provide service primarily in the central and south Canterbury region. Ultimate Broadband is contracted to make improved rural broadband available to approximately 820 households and businesses.



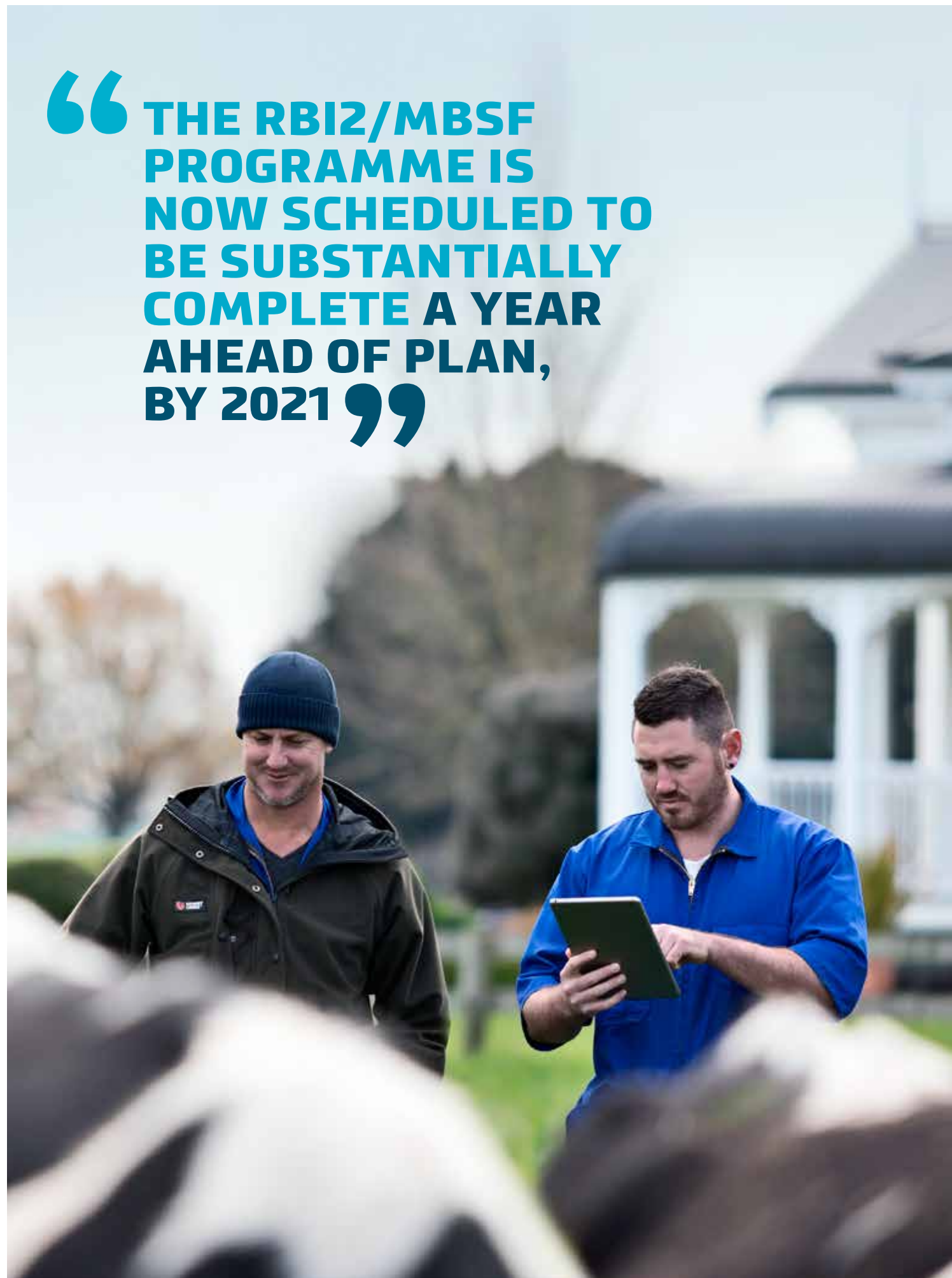
**Unifone** is a WISP contracted to provide service primarily in the Otago region. Unifone is contracted to make improved rural broadband available to approximately 720 households and businesses.



**WIZwireless** is a WISP contracted to provide service primarily in the Wairarapa and Wellington regions. WIZwireless is contracted to make improved rural broadband available to approximately 700 households and businesses.



“THE RBI2/MBSF PROGRAMME IS NOW SCHEDULED TO BE SUBSTANTIALLY COMPLETE A YEAR AHEAD OF PLAN, BY 2021”



# GOVERNANCE

## ORGANISATIONAL FORM

CIP was incorporated on 29 October 2009 under the Companies Act 1993. CIP is a Crown-owned company, listed under Schedule 4A of the Public Finance Act 1989.

CIP is subject to certain provisions of the Crown Entities Act 2004 and is also subject to the Official Information Act 1982 and the Ombudsmen Act 1975. The shareholders in CIP are the Minister of Finance and the Minister for State Owned Enterprises in their capacity as Ministers, and each holds 50% of the issued share capital.

CIP is monitored by the Ministry of Business, Innovation and Employment's (MBIE's) ICT Policy and Programmes group, the Commercial Operations group of The Treasury, and shareholding Ministers. CIP's aim is to provide services to the public through implementing Government policy, rather than make a financial return by implementing the Government's Ultra Fast Broadband (UFB) policy (the **UFB Objective**), the Rural Broadband Initiative Phase Two and Mobile Black Spot Fund programme (the **RBI2/MBSF Objective**), and bulk housing infrastructure (BHI) financing (the **Housing Infrastructure Objective**). Accordingly, CIP has designated itself as a public benefit entity.

## MANAGEMENT OF THE COMPANY

The Board of Directors is responsible for the overall direction of CIP's business and other activities on behalf of shareholding Ministers in the manner set out in CIP's Constitution and CIP's Statement of Performance Expectations.

The Company's purposes as set out in the Constitution are to:

- implement the Government's objectives in relation to improving the performance and availability of, and access to, ultra fast broadband, rural broadband and mobile voice and data coverage, by co-investing with, or making grants to, private sector participants in order to deploy telecommunications network infrastructure; and
- investigate and implement commercial models, including those that will enable co-investment from the private or other sector, to achieve the Government's objectives for the deployment of water and roading infrastructure to support the timely increase of housing supply.

## BOARD OF DIRECTORS

The Board has established strategic policy, guides and monitors the business and affairs of the Company and is committed to a high standard of corporate governance. Responsibility for the operation and administration of the Company is delegated to the Chief Executive, who is accountable to the Board. The Board places emphasis on strategic planning, the implementation of sound administrative systems and procedures, and regulatory compliance.

## BOARD MEMBERSHIP

The Board is made up of six non-executive Directors. One new Director, Mark Binns, was appointed on 1 July 2018. Their profiles can be read on page 22 of this Annual Report. Directors are appointed by shareholding Ministers following Cabinet approval.

## BOARD COMMITTEES

To assist Directors to carry out their duties, the Board has two standing committees (as described below). Other ad hoc and standing committees may be formed from time to time.

### Audit and Risk Committee

The Audit and Risk Committee assists the Board in fulfilling its responsibilities by providing recommendations, counsel and information concerning accounting, reporting and responsibilities under legislation. Its Terms of Reference also cover the role of internal audit.

The Audit and Risk Committee ensures oversight by the Board of all matters related to the financial accounting, planning and reporting of CIP. The Committee monitors the processes that are undertaken by management and both external and internal auditors. The Audit and Risk Committee ensures that the Board meets all financial governance and accountability requirements and responsibilities. The Crown Entities Act 2004 sets out the specific statutory planning and reporting obligations of CIP, including the requirements for key accountability documents, the Statement of Intent and the Annual Report. The Committee also monitors and assesses risks to the business.

### Remuneration Committee

The Remuneration Committee assists the Board in fulfilling its responsibilities by providing advice and recommendations on the appropriate remuneration policies and human resources policies for the Company.



# BOARD OF DIRECTORS

## DIRECTORS' PROFILES AND INTERESTS HELD

The following profiles include general disclosures of interest given by Board members pursuant to section 140(2) of the Companies Act 1993 and entered into CIP's interests register.

**Mr Simon Allen** (Chair) has extensive commercial experience including governance in public entities, companies and charities. He formed ABN AMRO New Zealand as a greenfields operation in 1988, leading it to become one of the country's foremost registered banks. He resigned as Chief Executive in September 2009 (after 21 years). Mr Allen was the inaugural Chair of New Zealand Exchange Limited (NZX) and of the Financial Markets Authority. He has also served on the Boards of McConnell Property, ABN AMRO Craigs, Snowvision and Auckland Healthcare. He is a past Chair of Auckland Council Investments and St Cuthbert's College. Mr Allen is currently Chair of NZ Refining Company, a Director of IAG New Zealand, Xylem Investments Limited and Simon Allen Consulting Limited, and a trustee of the Antarctic Heritage Trust.

**Ms Miriam Dean CNZM QC** has extensive governance and commercial litigation experience. A former partner at Russell McVeagh, Ms Dean was made a Queen's Counsel in 2004 and specialises in competition and consumer laws and mediation/facilitation of commercial disputes. She is Chair of the Banking Ombudsman Scheme and the Legal Aid Advisory Board to the Ministry of Justice. Ms Dean is a Director of Otakaro Limited and REINZ (Real Estate Institute of New Zealand), and was previously Chair of New Zealand On Air and a Director of Auckland Council Investments, the Auckland Transition Authority and the Royal New Zealand Ballet. She has also conducted a number of Government inquiries and reviews and is currently Chair of the Expert Advisory Panel for the Electricity Price Review.

**Ms Danelle Dinsdale** has 14 years' experience in the UK with global law firm DLA Piper, where she was a senior partner working as Head of IT and Telecoms. Ms Dinsdale brings considerable experience in change management, infrastructure and technology projects to the CIP Board. Danelle has advised on public-private partnerships in the education, health and transport sectors. She has worked with innovation leaders including Cable and Wireless, Verizon, British Telecom, Accenture and ITV. Ms Dinsdale also serves on the Board of Medical Assurance Society New Zealand Limited and its subsidiaries.

**Dr Murray Milner** is a world-class telecommunications technology expert with a doctorate in electrical engineering and over 40 years' experience in the New Zealand ICT industry. He held a variety of senior positions with Telecom New Zealand including, until September 2005, Chief Technology Officer. Since leaving Telecom in 2005 Dr Milner has worked as a consultant for a range of clients both in New Zealand and overseas. He

has also held various governance positions including Chair of Harmonic Analytics, a software development firm specialising in applications for improving asset performance, Chair of the Whole of Government Radio Network Governance Board, a member of the Digital Advisory Board, and a member of the Health Capital Investment Committee. Dr Milner is the managing Director of Milner Consulting Limited and is a trustee and beneficiary of the Milner Family Trust. He is also a trustee of the New Zealand IPv6 Task Force Trust.

**Mr Keith Tempest** retired in December 2009 as Chief Executive of Trustpower, a Bay of Plenty based electricity generator, after 23 years with the firm. As Chief Executive he was recognised as having overseen strong commercial performance and has a strong track record of managing large capital projects. Mr Tempest is also a Director of NZ Bus Limited and Bay Venues Limited, a Director and shareholder of GAP Business Solutions Limited, and Special Adviser to the Electricity Pricing Review Expert Advisory Panel.

**Mr Mark Binns** was appointed a Director of the company on 1 June 2018. His career has seen him involved in many of New Zealand's largest infrastructure projects, including the Wiri Prison public-private partnership, Waterview Connection, Eden Park, SKYCITY, Museum of New Zealand Te Papa Tongarewa and the Manapōuri tunnel. For 22 years, Mr Binns worked at Fletcher Building and its predecessor, Fletcher Challenge Limited. He was Chief Executive of Meridian from 2012 to 2017 and is also a former Chief Executive of the Infrastructure Division of Fletcher Building Limited. He is a qualified lawyer. Mr Binns is currently a Director of Auckland International Airport, Metlifecare Limited and Te Pūia Tāpapa, a trustee of Auckland War Memorial Museum and Chair of Global Taskforce Limited.

## REMUNERATION COMMITTEE

Ms Miriam Dean (Chair), Mr Simon Allen.

## AUDIT AND RISK COMMITTEE

Mr Keith Tempest (Chair), Mr Simon Allen, Ms Danelle Dinsdale.

	2017/2018		2016/2017	
	No. of Regular Meetings Attended	No. of Special Meetings Attended	No. of Regular Meetings Attended	No. of Special Meetings Attended
DIRECTORS				
Simon Allen	11	4	8	4
Miriam Dean	10	2	8	4
Danelle Dinsdale	11	2	8	4
Murray Milner	10	2	8	5
Keith Tempest	11	2	8	5
Jack Matthews*	-	-	4	4

\*Jack Matthews resigned from the CIP Board on 24 March 2017.

# CIP AS A GOOD EMPLOYER

Crown Infrastructure Partners (**CIP**) is a relatively small organisation and is tasked with making a significant contribution to creating vital infrastructure for New Zealand. CIP places high importance on attracting and retaining an engaged, high-performing workforce to deliver on the Government's UFB Objective, the RBIZ/MBSF Objective and now the Housing Infrastructure Objective. As a result, CIP has put in place policies and practices that ensure it is a good employer, providing a positive, supportive working environment that values diversity and provides equal employment opportunities (**EEO**).

## LEADERSHIP AND ORGANISATIONAL STRUCTURE

CIP aligned its organisational structure in January 2018 to incorporate capabilities for the bulk housing infrastructure programme. This resulted in several new roles being created, including at leadership level. The new structure and leadership team are now well bedded in.

## ENGAGEMENT

CIP completed its annual Gallup employee engagement survey in June, with 100% participation. Mean engagement increased from 4.3 to 4.34 (out of 5), placing us at the 81st percentile against other organisations in New Zealand, and at the 72nd percentile globally.

## STRONG SENSE OF PURPOSE AND CONTRIBUTION

CIP employees are strongly aligned with the mission and purpose of the organisation. The engagement survey placed CIP at the 90th percentile compared with other New Zealand organisations in terms of employees feeling that the mission or purpose of the Company makes their work feel important.

## WORKING ENVIRONMENT

CIP has 45% female employees and a degree of ethnic diversity. CIP prides itself on providing an inclusive, positive working environment that values diversity and supports flexible working arrangements.

## RECOGNITION AND REMUNERATION

CIP has a relatively small but specialised workforce, and sources talent from both the private and public sectors. We seek to provide fair remuneration that is market based and includes a modest performance-based incentive scheme that is designed to reward company achievement and individual contribution.

## EMPLOYEE DEVELOPMENT

CIP encourages employee development at an individual level and has a focus on cross-organisational collaboration.

## SAFE AND HEALTHY ENVIRONMENT

CIP has a health and safety policy that is designed to increase employees' awareness of health and safety in their work. CIP has also introduced a lone working policy to ensure our employees and contractors return home safely when visiting partner remote sites. We have engaged a 24 hour monitoring agency to manage this on our behalf. The CEO and senior managers continue to work with partners to ensure our contractors remain safe while working on the various programmes funded by CIP.



CIP places high importance on attracting and retaining an engaged, high-performing workforce



# STATEMENT OF PERFORMANCE

Outputs for the UFB and RBIZ/MBSF programmes as set out in the Statement of Performance track CIP's progress towards achieving the UFB Objective and the RBIZ/MBSF Objective. For reporting against revenue and expense targets, see note 20.

### CIP'S PERFORMANCE TARGETS FOR UFB DEPLOYMENT

Under the UFB contracts, CIP funds partners on the basis of premises<sup>1</sup> passed. This measures the partners' overall performance in meeting their contractual deployment targets. CIP also measures the number of end users (households and businesses) capable of connection.

FINANCIAL YEAR		2016/2017	2017/2018		2022/2023
		Actual #000	Plan <sup>2</sup> #000	Actual #000	% Variance
1	UFB1 <sup>3</sup> PREMISES HANDED OVER BY PARTNERS	900	973	1,043	7%
2	UFB2 <sup>4</sup> PREMISES HANDED OVER BY PARTNERS	New measure	7	8	14%
3	NUMBER OF BROADBAND END USERS ABLE TO CONNECT TO UFB UNDER UFB1 AND UFB2	1,185	1,273	1,373 <sup>5</sup>	8%

### CIP'S PERFORMANCE TARGETS FOR FINANCIAL AND OPERATIONAL EFFICIENCY

CIP has made good overall progress towards achieving its performance targets for financial and operational efficiency. In turn, the partners have satisfactorily met their contractual obligations for deployment and operations.

FINANCIAL YEAR		2016/2017	2017/2018		
		Actual	Plan	Actual	Variance
1	CIP FUNDING PER PREMISES HANDED OVER UFB1	\$1,096	\$1,104	\$1,103	-
2	CIP FUNDING PER PREMISES HANDED OVER UFB2	n/a	\$1,553	\$1,527	2%
3	PERCENTAGE OF UFB1 OBJECTIVE COMPLETED	80%	83% <sup>6</sup>	91%	10%
4	PERCENTAGE OF FISCAL ENVELOPE INVESTED <sup>7</sup> (UFB1)	76%	85%	89%	(5%)
5	PERCENTAGE OF UFB2 OBJECTIVE COMPLETED	New measure	3%	3%	-
6	PERCENTAGE OF FISCAL ENVELOPE INVESTED (UFB2)	New measure	9%	3%	(67%)
7	NET CIP OPERATIONAL COST AS PERCENTAGE OF ANNUAL INVESTMENT/GRANTS	4%	4%	5% <sup>8</sup>	(25%)

CIP expects to continue to see steady improvements in its operational efficiency.

### SUCCESSFUL AND TIMELY INSTALLATION OF UFB

As well as the contractual service levels measuring partners' performance, CIP focuses on two other measures with partners during fiscal year 2018 - average days to connect to UFB for a residential single dwelling unit (essentially, a typical New Zealand household), and end user satisfaction with UFB installation. The improvement in average days to connect by 15 days is particularly pleasing, given the increased demand for UFB connections during the year. Installation satisfaction is on target.

CIP'S PERFORMANCE TARGETS FOR UFB1 INSTALLATION		PLAN	ACTUAL
1	AVERAGE DAYS TO CONNECT TO UFB FOR A RESIDENTIAL SINGLE DWELLING UNIT (ESSENTIALLY, A TYPICAL NZ HOUSEHOLD)	Equal to or better than a weighted average of 35 calendar days	Weighted average of 20 calendar days
2	END USER SATISFACTION WITH UFB INSTALLATION	Equal to or better than a weighted average of 74% satisfied with installation	Weighted average of 75% satisfied with installation

### RBIZ AND MBSF CONTRACTS

Accomplishing early contracts was pleasing as it means that the deployment programme can be advanced and is now expected to be substantially completed in 2021 rather than the initial timeframe of 2022.

CIP'S PERFORMANCE TARGETS FOR, RBIZ AND MBSF TENDERS/CONTRACTS		PLAN	ACTUAL
1	RBIZ AND MBSF CONTRACTS, SUBJECT TO THE PROGRESS OF COMMERCIAL NEGOTIATIONS, EXPECTED TO BE AGREED.	By end of calendar year 2017	Contracts in place by 30 August 2017

<sup>1</sup> CIP has a geospatial premises database with more than one million unique premises identifiers. It was built in 2011 and is based on Land Information New Zealand (LINZ) land parcels. This is the sole basis for determining the total number of premises in each stage, and for tracking milestone progress, testing and payment.

<sup>2</sup> Per Statement of Performance Expectations 2017-2018.

<sup>3</sup> UFB1 will cover 75% of the population by 2019.

<sup>4</sup> UFB2 will extend coverage to 87% (including 1% private fibre) of the population by 2022.

<sup>5</sup> End users able to connect in UFB1 is 1,364,502 and UFB2 is 8,965.

<sup>6</sup> Plan was calculated on brownfields only; actual calculation includes greenfields completed, which is a more appropriate measure.

<sup>7</sup> Only includes UFB1.

<sup>8</sup> Includes \$2.5m of unbudgeted expense for BHI. Excluding BHI it would be 4%.



# PARTNERS’ PERFORMANCE TARGETS

CIP monitors the performance of the LFCs and Chorus in connecting new end users to the UFB network<sup>1</sup>, fixing customer faults, maintaining network availability and ensuring network performance. Performance is measured against set Service Level Agreements (SLAs).

Provisioning, faults and product performance SLAs are between the LFCs and Chorus, and their RSP customers. SLAs for Layer 1 and Layer 2 network performance across Candidate Areas are between CIP, and the LFCs and Chorus. CIP reviews performance against all SLAs under contract.

Following a period of industry consultation, the Layer 2 traffic monitoring and reporting regime was determined in fiscal year 2018 and implementation has now commenced. Initial reports indicate that the networks continue to be uncongested, with no Layer 2 traffic issues arising.

Provisioning<sup>2</sup> performance per end user as reported by LFCs and Chorus

UFB PARTNER	BUSINESS (CONNECTIONS % MET TARGET)	RESIDENTIAL (CONNECTIONS % MET TARGET)
	Target: Within 6 business days or date as agreed with the end user	Target: Within 4 business days or date as agreed with the end user
CHORUS	93%	93%
ENL	96%	98%
NFL	97%	97%
UFL	80%	83%
TOTAL	92%	93%

This measure represents the ratio of orders that met the target provisioning date based on the monthly order forecast and averaged over the period. It is common practice that a date is agreed with the RSP or the end user for provisioning. Both residential and business SLAs were stable compared to 2016/17 despite significant uplift in volumes.

Maximum downtime performance per end user as reported by LFCs and Chorus

	RESTORATION	TARGET	FAULTS REPAIRED WITHIN TARGET
LAYER 2 <sup>3</sup> PERFORMANCE	Residential & business	<12 hours	99.94%
LAYER 1 <sup>4</sup> PERFORMANCE	Residential & business	<48 hours	99.54%

**Layer 2 performance per end user:** Measures the number of Layer 2 faults repaired in compliance with the SLA. LFCs and Chorus reported that 99.94% of Layer 2 connection faults for all end users, whether business or residential, saw service restored within 12 hours.

**Layer 1 performance per end user:** This measure represents the number of Layer 1 network faults repaired in compliance with the SLA. LFCs and Chorus reported that 99.54% of Layer 1 connection faults met the default restoration service levels.

Average downtime across eligible Candidate Areas as reported by LFCs and Chorus

UFB PARTNER	LAYER 2 AVERAGE NETWORK PERFORMANCE ACROSS ELIGIBLE CANDIDATE AREAS <sup>5</sup>		LAYER 1 AVERAGE NETWORK PERFORMANCE ACROSS ELIGIBLE CANDIDATE AREAS	
	Target <30 minutes (99.990%)		Target <120 minutes (99.980%)	
CHORUS	05:53 min	99.998%	01:12:34 min	99.986%
ENL	00:10 min	99.999%	00:27:15 min	99.994%
NFL	10:44 min	99.997%	00:07:19 min	99.998%
UFL	00:30 min	99.999%	00:43:58 min	99.991%

**Layer 2 network performance across eligible Candidate Areas:** Measures the average downtime per end user across eligible Candidate Areas, against a target of no more than 30 minutes' average downtime each year. Performance was above target.

**Layer 1 network performance across eligible Candidate Areas:** Measures the average downtime per end user across eligible Candidate Areas, with a target of no more than 120 minutes' average downtime per year. Performance was above target.

<sup>1</sup> No partner performance data available for UFB2 at 30 June 2018.

<sup>2</sup> Provisioning means the installation and activation of a UFB service for an end user.

<sup>3</sup> Layer 2 of the Open Systems Interconnection (OSI) Model, associated with active fibre optic network infrastructure.

<sup>4</sup> Layer 1 of the OSI Model, associated with passive fibre optic network infrastructure.

<sup>5</sup> An eligible Candidate Area is one of the towns and cities selected for UFB, where either 3,000 end users or 20% of premises are connected to the network.



# STATEMENT OF RESPONSIBILITY

FOR THE YEAR ENDED 30 JUNE 2018

**IN TERMS OF THE PUBLIC FINANCE ACT 1989, AND PARTICULARLY SECTION 19A, THE BOARD IS RESPONSIBLE FOR THE PREPARATION OF CROWN INFRASTRUCTURE PARTNERS LIMITED'S ANNUAL REPORT, WHICH INCLUDES FINANCIAL STATEMENTS AND A STATEMENT OF PERFORMANCE, AND FOR THE JUDGEMENTS MADE THEREIN.**

The Board of Directors of Crown Infrastructure Partners 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 and non-financial reporting for the Company.

In the Board's opinion, these financial statements and statement of performance fairly reflect the financial position and performance of Crown Infrastructure Partners Limited for the year ended 30 June 2018.

Signed on behalf of the Board.



Simon Allen  
Chair

13 September 2018



Keith Tempest  
Director

13 September 2018



“THE UFB PROGRAMME WAS EXPANDED FOR A SECOND TIME IN THE SECOND HALF OF 2017, ENABLING ANOTHER 190 TOWNS TO RECEIVE UFB”



AUDIT NEW ZEALAND  
Mana Arotake Aotearoa

# INDEPENDENT AUDITOR'S REPORT

**TO THE READERS OF CROWN INFRASTRUCTURE  
PARTNERS LIMITED'S FINANCIAL STATEMENTS  
AND PERFORMANCE INFORMATION FOR THE  
YEAR ENDED 30 JUNE 2018**

The Auditor-General is the auditor of Crown Infrastructure Partners Limited (**the Company**). The Auditor-General has appointed me, Leon Pieterse, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and the performance information, including the performance information for appropriations, of the Company on his behalf.

**OPINION**

**We have audited:**

- the financial statements of the Company on pages 34 to 71, that comprise the statement of financial position as at 30 June 2018, the statement of comprehensive revenue and expenses, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements including a summary of significant accounting policies and other explanatory information; and
- the performance information of the Company on pages 24 to 25.

**In our opinion:**

- the financial statements of the Company on pages 34 to 71:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2018; and
    - its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standard; and
- the performance information on pages 24 to 25:
  - presents fairly, in all material respects, the Company's performance for the year ended 30 June 2018, including:
    - for each class of reportable outputs:
      - its standards of delivery performance achieved as compared with forecasts included in the statement of performance expectations for the financial year; and
      - its actual revenue and output expenses as compared with the forecasts included in the statement of performance expectations for the financial year; and
    - what has been achieved with the appropriations; and

- the actual expenses or capital expenditure incurred compared with the appropriated or forecast expenses or capital expenditure.
- complies with generally accepted accounting practice in New Zealand.

Our audit was completed on 13 September 2018. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

**BASIS FOR OUR OPINION**

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**RESPONSIBILITIES OF THE BOARD OF  
DIRECTORS FOR THE FINANCIAL STATEMENTS  
AND THE PERFORMANCE INFORMATION**

The Board of Directors is responsible on behalf of the Company for preparing financial statements and performance information that are fairly presented and comply with generally accepted accounting practice in New Zealand. The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the Board of Directors is responsible on behalf of the Company for assessing the Company's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to merge or to terminate the activities of the Company, or there is no realistic alternative but to do so.

The Board of Director's responsibilities arise from the Crown Entities Act 2004 and the Public Finance Act 1989.

**RESPONSIBILITIES OF THE AUDITOR FOR THE  
AUDIT OF THE FINANCIAL STATEMENTS AND  
THE PERFORMANCE INFORMATION**

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements and the performance information.

For the budget information reported in the financial statements and the performance information, our procedures were limited to checking that the information agreed to the Company's statement of performance expectations.

We did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- We evaluate the appropriateness of the reported performance information within the Company's framework for reporting its performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements

and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

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

Our responsibilities arise from the Public Audit Act 2001.

**OTHER INFORMATION**

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 1 to 23, 26 to 29 and 72 but does not include the financial statements and the performance information, and our auditor's report thereon.

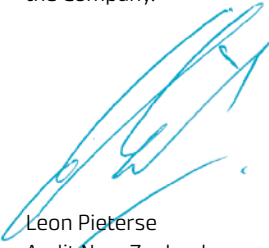
Our opinion on the financial statements and the performance information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and the performance information, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the performance information or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**INDEPENDENCE**

We are independent of the Company in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

Other than in our capacity as auditor as well as assurance work over procurement, we have no relationship with, or interests, in the Company.



Leon Pieterse  
Audit New Zealand  
On behalf of the Auditor-General  
Auckland, New Zealand





# FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018



STATEMENT OF COMPREHENSIVE  
REVENUE AND EXPENSE

FOR THE YEAR ENDED 30 JUNE 2018

	Notes	Parent <sup>1</sup> 2018 \$000	Group 2018 \$000	Parent <sup>1</sup> 2017 \$000	Group 2017 \$000
<b>Continuing operations:</b>					
<b>Income</b>					
Interest income	6	22,816	22,816	20,704	20,730
UFB income		-	-	-	5,677
RBI2/MBSF <sup>2</sup> Grant Income		9,877	9,877	-	-
Fair value gains on FVTSD <sup>3</sup> investments	4,12	-	-	1,534	-
Net fair value gains on derivatives	4,12	248	248	-	-
Gain on sale of investments in LFC(s) <sup>4</sup>	4,12	238	238	-	-
<i>Total income</i>		33,179	33,179	22,238	26,407
<b>Expenses</b>					
Network expenses		-	-	-	1,684
Directors' fees	7	236	236	286	368
Personnel costs	8	4,469	4,469	4,568	4,977
Depreciation expense	5	77	77	87	2,306
Professional advisory fees	9	2,276	2,276	2,027	2,096
Other expenses	10	2,809	2,809	2,558	2,975
Management fees to Partners	4	-	-	-	406
UFB contribution - LFCs Equity	4,12	-	-	65	-
UFB contribution - Chorus Equity Securities	4,12	47,809	47,809	40,802	40,802
UFB contribution - Chorus Debt Securities	4,12	34,615	34,615	36,012	36,012
UFB contribution - LFC Loans	4,12	5,839	5,839	4,448	4,448
RBI2/MBSF Grant Expense		9,870	9,870	-	-
Net fair value losses on derivatives	4,12	-	-	202	202
Loss on LFC deconsolidation	4	-	3,534	-	-
<i>Total expenses</i>		108,000	111,534	91,055	96,276
<b>Surplus/(deficit) before tax</b>		<b>(74,821)</b>	<b>(78,355)</b>	<b>(68,817)</b>	<b>(69,869)</b>
Tax expense/(credit)	11	-	-	-	124
<b>Net surplus/(deficit) from continuing operations</b>		<b>(74,821)</b>	<b>(78,355)</b>	<b>(68,817)</b>	<b>(69,993)</b>
<b>Net surplus/(deficit) from discontinued operations</b>	3	-	-	(1,592)	(201)
<b>Net surplus/(deficit)</b>		<b>(74,821)</b>	<b>(78,355)</b>	<b>(70,409)</b>	<b>(70,194)</b>
<b>Other comprehensive revenue and expense</b>					
Net fair value gains/(losses) on AFS <sup>5</sup> investments	4,12	9,193	9,193	2,162	2,162
<i>Total other comprehensive revenue and expense</i>		9,193	9,193	2,162	2,162
<b>Total comprehensive revenue and expense</b>		<b>(65,628)</b>	<b>(69,162)</b>	<b>(68,247)</b>	<b>(68,032)</b>
<b>Net surplus/(deficit)</b>					
<i>Attributable to members of the Parent</i>					
Net surplus/(deficit) from continuing operations		(74,821)	(78,355)	(68,817)	(70,286)
Net surplus/(deficit) from discontinued operations		-	-	(1,592)	(20)
		(74,821)	(78,355)	(70,409)	(70,306)
<i>Attributable to minority interests</i>					
Net surplus/(deficit) from continuing operations		-	-	-	293
Net surplus/(deficit) from discontinued operations		-	-	-	(181)
		-	-	-	112
		<b>(74,821)</b>	<b>(78,355)</b>	<b>(70,409)</b>	<b>(70,194)</b>
<b>Total comprehensive revenue and expense</b>					
<i>Attributable to members of the Parent</i>					
		(65,628)	(69,162)	(68,247)	(68,144)
<i>Attributable to minority interests</i>					
		-	-	-	112
		<b>(65,628)</b>	<b>(69,162)</b>	<b>(68,247)</b>	<b>(68,032)</b>

<sup>1</sup> Budget figures and explanations of major variances against the budget are detailed in note 19.

<sup>2</sup> Rural Broadband Expansion (RBI2) and Mobile Blackspot Fund (MBSF) initiatives.

<sup>3</sup> Fair value through surplus or deficit.

<sup>4</sup> Local Fibre Company.

<sup>5</sup> Available for sale.

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2018

	Notes	Parent <sup>1</sup> 2018 \$000	Group 2018 \$000	Parent <sup>1</sup> 2017 \$000	Group 2017 \$000
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents		34,077	34,077	48,285	49,508
Short-term bank deposits		-	-	35,000	35,000
Trade and other receivables		45,089	45,089	753	1,443
GST receivables		412	412	78	78
Prepayments		22	22	39	47
<i>Total current assets</i>		79,600	79,600	84,155	86,076
<b>Non-current assets</b>					
Property, plant and equipment	5	119	119	130	38,842
Investments in LFC(s) Equity	4	15,707	15,707	16,728	-
Investments in Chorus Equity Securities	4	148,171	148,171	104,233	104,233
Investments in Chorus Debt Securities	4	149,846	149,846	112,012	112,012
Loans to LFCs	4	141,293	141,293	106,445	106,445
Deferred tax assets	11	-	-	-	1,468
<i>Total non-current assets</i>		455,136	455,136	339,548	363,000
<b>Total assets</b>		<b>534,736</b>	<b>534,736</b>	<b>423,703</b>	<b>449,076</b>
<b>Liabilities</b>					
<b>Current liabilities</b>					
Creditors and other payables	14	42,366	42,366	10,790	11,248
Employee entitlements		817	817	732	765
Deferred revenue		-	-	-	477
<i>Total current liabilities</i>		43,183	43,183	11,522	12,490
<b>Total liabilities</b>		<b>43,183</b>	<b>43,183</b>	<b>11,522</b>	<b>12,490</b>
<b>Net assets</b>		<b>491,553</b>	<b>491,553</b>	<b>412,181</b>	<b>436,586</b>
Contributed capital	16	1,072,900	1,072,900	927,900	927,900
AFS reserve	17	21,310	21,310	12,117	12,117
Retained earnings		(602,657)	(602,657)	(527,836)	(524,302)
Equity attributable to the Parent		491,553	491,553	412,181	415,715
Other minority interests		-	-	-	20,871
Total minority interests		-	-	-	20,871
<b>Total equity</b>		<b>491,553</b>	<b>491,553</b>	<b>412,181</b>	<b>436,586</b>

<sup>1</sup> Budget figures and explanations of major variances against the budget are detailed in note 19.



## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2018

	Capital \$000	AFS reserve \$000	Retained earnings \$000	Minority interests \$000	Total \$000
<b>Parent<sup>1</sup></b>					
<b>Opening balance 1 July 2016</b>	<b>927,900</b>	<b>9,955</b>	<b>(457,427)</b>	<b>-</b>	<b>480,428</b>
<b>Comprehensive income</b>					
Net surplus/(deficit)	-	-	(70,409)	-	(70,409)
Other comprehensive revenue and expense	-	2,162	-	-	2,162
<i>Total comprehensive revenue and expense attributable to the Parent</i>	-	2,162	(70,409)	-	(68,247)
<b>Owners' transactions</b>					
Capital contribution - Crown (note 16)	-	-	-	-	-
<b>Closing balance 30 June 2017</b>	<b>927,900</b>	<b>12,117</b>	<b>(527,836)</b>	<b>-</b>	<b>412,181</b>
<b>Opening balance 1 July 2017</b>	<b>927,900</b>	<b>12,117</b>	<b>(527,836)</b>	<b>-</b>	<b>412,181</b>
<b>Comprehensive income</b>					
Net surplus/(deficit)	-	-	(74,821)	-	(74,821)
Other comprehensive revenue and expense	-	9,193	-	-	9,193
<i>Total comprehensive revenue and expense attributable to the Parent</i>	-	9,193	(74,821)	-	(65,628)
<b>Owners' transactions</b>					
Capital contribution - Crown (note 16)	145,000	-	-	-	145,000
<b>Closing balance 30 June 2018</b>	<b>1,072,900</b>	<b>21,310</b>	<b>(602,657)</b>	<b>-</b>	<b>491,553</b>

<sup>1</sup> Budget figures and explanations of major variances against the budget are detailed in note 19.STATEMENT OF CHANGES IN EQUITY (*continued*)

FOR THE YEAR ENDED 30 JUNE 2018

	Capital \$000	AFS reserve \$000	Retained earnings \$000	Attributable to equity holders of Parent \$000	Minority interests \$000	Total \$000
<b>Group</b>						
<b>Opening balance 1 July 2016</b>	<b>927,900</b>	<b>9,955</b>	<b>(453,996)</b>	<b>483,859</b>	<b>147,721</b>	<b>631,580</b>
<b>Comprehensive income</b>						
Net surplus/(deficit)	-	-	(70,306)	(70,306)	112	(70,194)
Other comprehensive revenue and expense	-	2,162	-	2,162	-	2,162
<i>Total comprehensive revenue and expense</i>	-	2,162	(70,306)	(68,144)	112	(68,032)
<b>Owners' transactions</b>						
Share transactions with minority interests	-	-	-	-	15,330	15,330
Disposal of subsidiary (note 3)	-	-	-	-	(156,039)	(156,039)
Capital contribution - minority interests	-	-	-	-	15,574	15,574
Dividend to minority interests	-	-	-	-	(1,827)	(1,827)
Capital contribution - Crown (note 16)	-	-	-	-	-	-
<b>Closing balance 30 June 2017</b>	<b>927,900</b>	<b>12,117</b>	<b>(524,302)</b>	<b>415,715</b>	<b>20,871</b>	<b>436,586</b>
<b>Opening balance 1 July 2017</b>	<b>927,900</b>	<b>12,117</b>	<b>(524,302)</b>	<b>415,715</b>	<b>20,871</b>	<b>436,586</b>
<b>Comprehensive income</b>						
Net surplus/(deficit)	-	-	(78,355)	(78,355)	-	(78,355)
Other comprehensive revenue and expense	-	9,193	-	9,193	-	9,193
<i>Total comprehensive revenue and expense</i>	-	9,193	(78,355)	(69,162)	-	(69,162)
<b>Owners' transactions</b>						
Share transactions with minority interests	-	-	-	-	-	-
Disposal of subsidiary (note 3)	-	-	-	-	(20,871)	(20,871)
Capital contribution - minority interests	-	-	-	-	-	-
Dividend to minority interests	-	-	-	-	-	-
Capital contribution - Crown (note 16)	145,000	-	-	145,000	-	145,000
<b>Closing balance 30 June 2018</b>	<b>1,072,900</b>	<b>21,310</b>	<b>(602,657)</b>	<b>491,553</b>	<b>-</b>	<b>491,553</b>



STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2018

	Notes	Parent <sup>1</sup> 2018 \$000	Group 2018 \$000	Parent <sup>1</sup> 2017 \$000	Group 2017 \$000
<b>Cash flows from operating activities</b>					
Receipts from customers		-	-	-	13,096
Interest received		2,386	2,386	4,427	4,467
Other receipts		11,628	11,628	40	40
Payments to suppliers		(5,427)	(5,427)	(4,726)	(12,477)
Payments to employees		(4,286)	(4,286)	(4,311)	(6,538)
Grant payments		(9,870)	(9,870)		
Goods and services tax (net)		(334)	(334)	(12)	1,390
<b>Net cash outflow from operating activities</b>	<b>13</b>	<b>(5,903)</b>	<b>(5,903)</b>	<b>(4,582)</b>	<b>(22)</b>
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment		(56)	(56)	(41)	(16,091)
Investment in short-term bank deposits		35,000	35,000	(35,000)	(35,000)
Acquisition of equity investments in LFC(s)		-	-	(1,946)	-
Acquisition of investments in Chorus Equity Securities		(55,657)	(55,657)	(54,629)	(54,629)
Acquisition of investments in Chorus Debt Securities		(55,657)	(55,657)	(54,629)	(54,629)
Acquisition of investment in CCHL loan		(29,493)	(29,493)	(36,607)	(36,607)
Acquisition of investment in NFL2 loan		(3,842)	(3,842)		
Net cash movement on disposal of subsidiary	<b>3</b>	-	(1,223)	117,942	111,660
Proceeds from sale of investments in LFC		1,162	1,162	-	-
Gain on sale of equity investments in LFC		238	238	-	-
Proceeds from sale to minority interests prior to disposal		-	-	15,330	15,330
<b>Net cash outflow from investing activities</b>		<b>(108,305)</b>	<b>(109,528)</b>	<b>(49,580)</b>	<b>(69,966)</b>
<b>Cash flows from financing activities</b>					
Capital contribution - Crown	<b>16</b>	100,000	100,000	-	-
Capital contribution - minority interests		-	-	-	11,993
Dividend to minority interests		-	-	-	(1,827)
<b>Net cash inflow from financing activities</b>		<b>100,000</b>	<b>100,000</b>	<b>-</b>	<b>10,166</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>					
		<b>(14,208)</b>	<b>(15,431)</b>	<b>(54,162)</b>	<b>(59,822)</b>
Cash and cash equivalents at the beginning of the year		48,285	49,508	102,447	109,330
<b>Cash and cash equivalents at the end of the year</b>		<b>34,077</b>	<b>34,077</b>	<b>48,285</b>	<b>49,508</b>

<sup>1</sup> Budget figures and explanations of major variances against the budget are detailed in note 19.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

1. STATEMENT OF ACCOUNTING POLICIES

REPORTING ENTITY

The reporting entity is Crown Infrastructure Partners Limited (CIP, the Parent and the Company). The Group includes CIP and any controlled entities. At 30 June 2017 the controlled entity was the remaining Local Fibre Company (LFC), Northpower Fibre Limited (NFL). There are no controlled entities at 30 June 2018.

On 1 September 2017 Crown Fibre Holdings Limited (CFH) changed its name to Crown Infrastructure Partners Limited (CIP) as part of a repurposing. In addition to CIP's existing purpose to implement the government's Ultrafast Broadband (UFB), Rural Broadband Expansion (RBI2) and Mobile Blackspot Fund (MBSF) initiatives, CIP will investigate and implement commercial models, including those that will enable co-investment from the private or any other sector, to achieve the Government's objectives for the deployment of water and roading infrastructure to support the timely increase of land for housing supply. CIP's 30 June 2018 Parent accounts reflect only CIP operations, its joint venture, NFL, and the direct investments made in Chorus Limited, Christchurch City Holdings Limited (CCHL), and Northpower LFC2 Limited (NFL2) (2017: Chorus Limited, CCHL, and NFL).

The CIP Group 30 June 2017 accounts include the direct investments in Chorus, CCHL and NFL2, and the investment in joint venture (NFL), and consolidate the results of the operations of CIP and each controlled entity (up until the date of deconsolidation).

CIP is a limited liability company incorporated in New Zealand under the Companies Act 1993 and is a Schedule 4A entity of the Public Finance Act 1989.

CIP's aim is to provide services to the public and implement Government policy, and, as such, CIP is a public benefit entity (PBE) for the purposes of financial reporting under Public Sector PBE Standards (PBE Standards).

The financial statements of CIP and the Group are for the year ended 30 June 2018, and were approved by the Board of Directors on 13 September 2018.

STATEMENT OF COMPLIANCE

The financial statements of the Company and the Group have been prepared in accordance with the relevant requirements of the Public Finance Act 1989 and the Crown Entities Act 2004, which include the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP).

These financial statements are presented and prepared in accordance with Tier 1 PBE Standards and comply with PBE Standards.

BASIS OF PREPARATION

The financial statements have been prepared on a going-concern basis, and the accounting policies have been applied consistently for all periods presented.

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 and each member of the Group is New Zealand dollars.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

## 1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

### GENERAL ACCOUNTING POLICIES

Significant accounting policies that summarise the measurement basis used and are relevant to an understanding of the financial statements are provided throughout the notes to the financial statements.

The Group has applied a new accounting policy for holdings in joint ventures in the year (see note 4). There have been no other new accounting policies adopted. New or amended PBE Standards that are not yet effective are not expected to have a material impact when they are adopted in the periods they become mandatory. No new or amended PBE Standards have been early adopted.

PBE IFRS 9 is effective for periods beginning on or after 1 January 2021 with early adoption permitted. CIP will initially apply the standard for the year ending 30 June 2019. The main changes introduced by PBE IFRS 9 are to financial assets and include:

- new classification and measurement requirements which classify financial assets based on the business model for managing them and their cash flow characteristics;
- a new expected loss impairment model which considers either to 12-month expected losses, or lifetime expected losses if a significant increase in credit risk has been identified; and
- broader scope for the application of hedge accounting with effectiveness testing replaced with a broader principle of the economic relationship between the hedging items and instruments.

The impact of PBE IFRS 9 on CIP's financial statements will not be material.

Significant accounting policies in respect of items that do not have specific notes are set out below:

### UFB INCOME

UFB income is predominantly recurring access revenue, which is recognised based on the proportion of the ongoing services provided measured on a time basis. There is a portion of one-off connection revenue, which is not material in the period under review. This income consolidates from controlled entities, and CIP Parent does not generate such revenues.

### IMPAIRMENT OF FINANCIAL ASSETS CARRIED AT AMORTISED COST

Financial assets carried at amortised cost are assessed for impairment. Objective evidence of impairment could include indications that the Group will not be able to collect amounts due according to the original terms of the receivable, significant financial difficulties of a debtor, the probability that the debtor will enter into bankruptcy, and defaults in payment.

Debtors 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 Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days, and observable changes in national or local economic conditions that correlate with defaults on receivables.

The amount of the impairment is the difference between a 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 surplus or deficit.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

## 2. COMPOSITION OF THE GROUP

### CONSOLIDATION OF THE LFC(S) IN THE GROUP

#### Determining the nature of the interest in the LFC(s)

The nature of CIP's investment in an LFC(s) (2018: none, 2017: NFL) is not readily apparent, and requires significant judgement. In 2017 CIP had less than a 50% ownership interest based on the total shares issued and was considered to have control as it held the majority of the voting shares (A shares) and extensive rights over the design, build and operations phases of UFB deployment. Accordingly, the Group consolidated NFL in 2017 as it had a remaining A share interest at balance date. The apportionment of earnings to minority interests was determined based on the distribution rights under each agreement.

In 2018 CIP's holding remains less than 50% ownership and is no longer considered to represent control. This is because the design and build phases of the project are now complete. However, CIP is still considered to retain joint control over the investment because decision making around operation requires approval by both CIP and the Partner. As such, CIP's interest in NFL has been accounted for as a joint venture from 1 July 2017 onwards. Note 4 sets out the accounting policy for joint ventures.

The Minister of Finance, acting on behalf of the Crown, also owns one share in NFL (2017: NFL). This does not give rise to control.

All intra-Group transactions, balances, income and expenses are eliminated in full on consolidation.

The financial statements of a subsidiary are prepared for the same reporting period as those of the Parent and, while predominantly based on New Zealand equivalents to International Financial Reporting Standards, are consistent with the Parent's accounting policies. Adjustments are made to bring into line any dissimilar accounting policy that may exist.

A subsidiary is consolidated from the date on which control is obtained to the date on which control is lost. Changes in the Group's interest in a subsidiary that do not result in a loss of control (e.g. recycling)<sup>1</sup> are accounted for as equity transactions. Any difference between the amount by which the minority interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between:

- the aggregate of the fair value of the consideration received and the fair value of any retained interests; and
- the previous carrying amount of the assets and liabilities of the subsidiary and any minority interests.

Amounts previously recognised in other comprehensive revenue and expense in relation to the subsidiary are reclassified to surplus or deficit. Note 3 sets out the impact of the disposal of subsidiaries in 2017.

#### Measurement of minority interests in each controlled entity

The amount ascribed to minority interests represents:

- 100% of the profit after tax, before considering impairment, as it approximates the anticipated distributable earnings to a Partner; and
- capital contributions by the minority interests, being the contribution by the Partner on the purchase of A or B shares in an LFC; and
- the A shares taken up by the minority interest(s) under the recycling mechanisms, measured at the original issued capital amount; less
- distributions made to minority interest(s).

<sup>1</sup> Recycling: The Partner (now only Northpower) is required to purchase CIP's A shares based on the number of premises connected and the cost per premises passed (CPPP) paid.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

2. COMPOSITION OF THE GROUP (CONTINUED)

OTHER INVESTMENTS

Determining the nature of the interests in Chorus

CIP is supporting the deployment of UFB by subscribing to various forms of investment in Chorus. The investments take three forms, and significant judgement is required in determining the nature of these investments:

- 1. Chorus Equity Securities (unlisted);
- 2. Chorus Debt Securities; and
- 3. Chorus Equity Warrants, providing CIP with the right to purchase Chorus ordinary shares under certain circumstances.

The Directors have considered whether the interest in Chorus represents control (a subsidiary), joint control (a jointly controlled entity), significant influence (an associate) or an interest with less-than-significant influence. The Directors have determined that the interest represents less-than-significant influence.

Determining the nature of the interest in CCHL, UFL and NFL2

CIP is also supporting the deployment of UFB in the ENL and NFL2 Candidate Areas by advancing funds to CCHL and NFL2 (note 4). The terms of these arrangements are also considered to represent less-than-significant influence.

RELATED PARTY TRANSACTIONS

Significant transactions with government-related entities

During 2018 CIP has been provided with \$145 million funding from the Crown (noting cash paid was \$100 million, and \$45 million is accrued) (2017: \$Nil million) for specific purposes, as set out in its founding legislation and the scope of the relevant Government appropriations.

During 2018 CIP was also provided with \$9.9 million in grant income from the Crown (2017: \$Nil million) for Rural Broadband Initiative Phase Two (RBI2) and the Mobile Black Spot Fund (MBSF).

Other transactions with government-related entities

In conducting its activities, CIP and the Group are required to pay various taxes and levies (such as income tax, GST, PAYE and ACC levies and rates) to the Crown and entities related to the Crown. The payment of these taxes and levies is based on the standard terms and conditions that apply to all tax and levy payers. CIP is exempt from paying income tax but an LFC(s) is not exempt.

CIP and the Group enter into transactions with government departments, Crown entities and state-owned enterprises (e.g. New Zealand Post) and other government-related bodies (e.g. Air New Zealand and local councils). These transactions occur within normal supplier or client relationships on terms and conditions no more or less favourable than those that it is reasonable to expect CIP and the Group 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 and are not individually or collectively significant.

Key management personnel

Compensation of key management personnel is set out in note 8.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

3. DISCONTINUED OPERATIONS 2017

UFL was held for sale at 30 June 2016, and was sold to Waikato Networks Limited (WNL) for a lump sum in settlement of the remaining recycling payments and put option on 6 September 2016. UFL will continue to operate the UFB network in the central North Island. As a result, UFL was deconsolidated in the prior year.

Details of the balances deconsolidated are set out below.

CIP continues to have oversight of key matters such as price caps, network service level agreements, and product specification, and network requirements through separate Deeds of Undertaking with WNL (and UFL) in favour of the Crown and CIP until 31 December 2019.

UFL was established to facilitate the construction, deployment and operation of the UFB network in certain parts of the central North Island, and represented major geographical areas of the Group. Accordingly, in the year ended 30 June 2017, the results of UFL for the two months to 6 September 2016 are presented as discontinued operations.

Notes relating to statement of comprehensive revenue and expense items present information for continuing operations only, unless stated otherwise.

Details of the assets and liabilities that were disposed of on 6 September 2016 are set out below:

	Sold Parent 2017 \$000	Sold Group 2017 \$000
<b>Assets</b>		
Cash and cash equivalents	-	6,282
Trade and other receivables	-	4,928
Property, plant and equipment	-	291,940
Investments in LFCs Equity	131,900	-
Deferred tax assets	-	14,170
<b>Assets classified as held for sale</b>	<b>131,900</b>	<b>317,320</b>
<b>Liabilities</b>		
Creditors and other payables <sup>1</sup>	-	43,339
Deferred revenue	-	-
<b>Liabilities classified as held for sale</b>	<b>-</b>	<b>43,339</b>
<b>Net assets classified as held for sale</b>	<b>131,900</b>	<b>273,981</b>
<b>Minority interests relating to assets classified as held for sale</b>	<b>-</b>	<b>(156,039)<sup>2</sup></b>
<b>Parent's interest in assets disposed of</b>	<b>131,900</b>	<b>117,942</b>
<b>Cash flows during the year are represented as follows:</b>		
Final settlement received	117,942	117,942
Proceeds from A share sales prior to disposal (recycling)	13,958	13,958
<b>Total proceeds received</b>	<b>131,900</b>	<b>131,900</b>
Less disposal of cash balances of subsidiary	-	(6,282)
<b>Net cash inflow from disposal of subsidiary</b>	<b>131,900</b>	<b>125,618</b>
Capital contributions from minority interest prior to disposal of subsidiary	-	11,993
	<b>131,900</b>	<b>137,611</b>

<sup>1</sup> Creditors and other payables include \$32.3 million in respect of infrastructure payments due to UFL's Partner.

<sup>2</sup> Minority interests increased during 2017 owing to the additional Partner contributions of \$13.9 million and \$11.9 million as set out above, and in addition losses to the date of disposal of \$0.2 million.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

3. DISCONTINUED OPERATIONS 2017 (CONTINUED)

A summary of the UFL discontinued operations' surplus/(deficit) and cash flows are set out below:

	Parent 2017 \$000	Group 2017 \$000
<b>Net surplus/(deficit) from discontinued operations:</b>		
UFB income	-	6,485
Other operating income	40	54
<i>Total income</i>	40	6,539
General operating expenses	-	7,254
UFB contribution - LFCs1 Equity	1,573	-
Transaction costs relating to subsidiary held for sale	59	59
<i>Total expenses</i>	1,632	7,313
Surplus/(deficit) before tax	(1,592)	(774)
Tax expense/(credit)	-	(573)
	(1,592)	(201)
<b>Surplus/(deficit) from discontinued operations2</b>	<b>(1,592)</b>	<b>(201)</b>
<b>Income from discontinued operations</b>		
<i>Attributable to members of the Parent</i>	40	40
<i>Attributable to minority interests</i>	-	6,499
	40	6,539
<b>Income from continuing operations</b>		
<i>Attributable to members of the Parent</i>	22,238	20,704
<i>Attributable to minority interests</i>	-	5,703
	22,238	26,407
<b>Cash flows from discontinued operations</b>		
Net cash flows from operating activities	(19)	1,873
Net cash flows from investing activities	130,327	110,356
Net cash flows from financing activities	-	11,993
<b>Net cash flows from discontinued operations</b>	<b>130,308</b>	<b>124,222</b>

<sup>1</sup> The amount paid in the 2017 year has been reflected as a UFB contribution.  
<sup>2</sup> Discontinued operations split between attributable to members of the Parent and attributable to minority interests are set out on the face of the statement of comprehensive revenue and expense.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

4. INVESTMENTS

The structures of investments for the remaining LFC (NFL), Chorus and CCHL are described below.

INVESTMENT IN THE LFC(S)

NFL is the only remaining investment in the LFC(s). In 2017 CIP was considered to have control of NFL and the investment was carried at fair value as set out below.

Parent	NFL \$000
<b>Net investment at 30 June 2016</b>	<b>16,258</b>
Amount paid during the year	373
Less UFB contribution	(65)
<i>Initial investment recognised</i>	308
Less disposal proceeds on recycling	(1,372)
Net fair value movements recognised in surplus or deficit	1,534
<b>Net investment at 30 June 2017</b>	<b>16,728</b>

From 1 July 2017 CIP has joint control of NFL and has accounted for the investment under the equity method. The carrying value of the holding at initial recognition under the equity method was considered equal to its fair value (\$16,728,000) and so no gain or loss arose.

Summarised financial information representing CIP's interest in its joint venture at 30 June 2018 in NFL is set out below:

	2018 \$000
Current assets	1,008
Non-current assets	15,876
Current liabilities	512
Non-current liabilities	560

As CIP is not entitled to a share in the profit or loss of NFL; the Partner is responsible for funding all losses and is entitled to all profits, CIP values the investment in NFL at \$15,707,000.

The remaining ownership of NFL at balance date is summarised below:

	2018 #000	2017 #000
A shares held by CIP	18,842	20,242
A shares held by Partner	7,317	5,917
Total A shares	26,159	26,159
B shares held by Partner	26,178	21,214
Total number of shares	52,337	47,373
<b>CIP interest in total number of shares (%)</b>	<b>36%</b>	<b>43%</b>
<b>CIP interest in total number of voting (A) shares (%)</b>	<b>72%</b>	<b>77%</b>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

4. INVESTMENTS (CONTINUED)

CIP’s investment

CIP’s level of investment in the LFC(s) is driven by their deployment plans. On completion of UFB stages, and successfully completed user acceptance testing (UAT), CIP funds an agreed cost per premises passed (CPPP)<sup>1</sup>.

Any difference on initial recognition between the fair value of the investment (in an LFC, Chorus, CCHL or NFL2) and the contribution by CIP represents CIP’s and the Crown’s contribution towards the deployment of UFB in New Zealand. As a result, the UFB transactions are considered, in substance, to be represented by two components, and the Company and Group have:

- recognised the UFB contribution as a form of grant. The UFB contribution is recognised when the other party (e.g. Chorus, CCHL, NFL2 or the LFCs) meets the criteria to receive the grant. This is reflected in the UFB contribution line (for NFL prior to recognition as a joint venture and Chorus) or the discontinued operations line (for UFL) in surplus or deficit; and
- attributed the remaining fair value to the continuing financial instrument (e.g. the Chorus Equity Securities, the Chorus Debt Securities, the LFC equity investments or the CCHL or NFL2 loans).

The judgement used in componentising the transactions in this way affects when the UFB contribution by CIP is recognised.

Partner’s investment

The Partner is required to fund the cost of connecting a premise and the end customer (essentially the fibre optic lead-in from the street), the electronics necessary to light the fibre and the LFC operational costs.

The Partner(s) also provided management and operational services to the LFC(s), which are included in the management fees to Partners line (NFL) or in the discontinued operations line (UFL) in surplus or deficit in the prior year.

Recycling mechanisms

As NFL connects customers to the network, the Partner is required to purchase CIP’s A shares based on the number of premises connected and the CPPP paid. At the end of the concession period the Partner has a call option if CIP’s interest is 25% or less, and CIP has a put option at fair market value if CIP’s interest is 10% or less. CIP expects to recover its remaining investment in NFL by exercising its put option in 2020.

UFL recycling operated in a similar manner to NFL, prior to its disposal in fiscal 2017.

Accounting policies

In the year ended 30 June 2017, in the Parent company financial statements, the Company’s investments in unlisted shares of NFL, together with the recycling mechanisms, are designated as at Fair Value Through the Surplus or Deficit (FVTSD). The investments were initially recognised at fair value and are subsequently re-measured to fair value, with gains and losses arising from changes in fair value recognised in surplus or deficit.

Dividends are recognised in the surplus or deficit when the Company’s right to receive the dividends is established.

The investment in NFL have been designated as FVTSD on the basis that the recycling mechanisms represent embedded derivatives that are unable to be separated from the investments as a whole.

From 1 July 2018 in both the Parent company and the Group financial statements, the investment in unlisted shares of NFL is recognised using the equity method of accounting, as it shares the decision making power about the relevant activities of that entity from that date.

The investment in NFL was initially recognised at cost, being the fair value of the share retained when control was lost and thereafter is adjusted to reflect the Group’s share of the profit or loss of NFL. The Partner is entitled to all profits and is responsible for funding losses and therefore adjustments are only made to the extent that dividends are received.

In the Group financial statements, the difference between the fair value of CIP’s share on initial recognition and the carrying value of the assets, liabilities and non-controlling interest derecognised has been recognised as a loss in the statement of comprehensive revenue and expense.

<sup>1</sup> CPPP: The cost per premises passed is the capital contribution by CIP towards the capital cost of passing a premise with UFB.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

4. INVESTMENTS (CONTINUED)

As a result of the recycling mechanism the ownership interest reduced during the year but joint control was retained. A gain or loss is calculated as the difference between the carrying value and the fair value of the amount derecognised at each date the ownership interest changed. The gain or loss is recognised in the statement of comprehensive revenue and expense.

Key assumptions

The fair value of financial assets is determined using a variety of valuation techniques. CIP uses a discounted cash flow method and makes assumptions that are based on market data and the key characteristics of the instruments. These include, but are not limited to, management’s assessments of the cash flows, capital expenditure, profitability and market penetration during the estimated period of the investment.

The key assumptions are set out below, along with information on a reasonably possible change (estimated based on past experience) and the potential impacts of such a change on the remaining investment carrying value.

Key assumptions/inputs <sup>1</sup>	2017 Assumption	Possible change	2017 Impact \$000
NFL			
Cost of equity	10%	+/-2%	-1,000/+1,640
Terminal growth	2%	+/-1%	+540/-370
CIP shareholding at concession end	15%	+/-2% <sup>2</sup>	-1,440/+1,620

<sup>1</sup> The discount rate used in 2017 is 5% to 10%.

<sup>2</sup> Based on a possible change of 2% in 2017.

Disclosure of sensitivities at 30 June 2018 is not applicable for NFL because it was derecognised at 1 July 2018 and is accounted for under the equity method.

Disclosure of sensitivities at 30 June 2017 is not applicable for UFL because it was sold during the year.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

4. INVESTMENTS (CONTINUED)

INVESTMENTS IN CHORUS, CCHL AND NFL2

The Group and Parent investments in Chorus Equity Securities are carried at fair value and are set out below:

	Chorus Equity Warrants \$000	Chorus Equity Securities \$000	Total \$000
Net investments at 1 July 2016	256	76,944	77,200
Amount paid during the year	-	54,629	54,629
Amount payable at balance date	-	4,800	4,800
Less UFB contribution	-	(40,802)	(40,802)
Initial investment recognised	-	18,627	18,627
Fair value gains recognised in surplus or deficit	(202)	-	(202)
Fair value gains recognised in other comprehensive revenue and expense	-	2,162	2,162
Interest	-	6,446	6,446
Net investments at 30 June 2017	54	104,179	104,233
Amount paid during the year	-	50,857	50,857
Amount payable at balance date	-	22,830	22,830
Less UFB contribution	-	(47,809)	(47,809)
Initial investment recognised	-	25,878	25,878
Fair value loss recognised in surplus or deficit	248	-	248
Fair value gains recognised in other comprehensive revenue and expense	-	9,193	9,193
Interest	-	8,619	8,619
Net investments at 30 June 2018	302	147,869	148,171

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

4. INVESTMENTS (CONTINUED)

The Group and Parent investments in Chorus Debt Securities, the CCHL loan and the NFL2 loan are carried at amortised cost and are set out below:

	Chorus Senior Notes \$000	Chorus Subordinated Notes \$000	Chorus total \$000	CCHL loan \$000	NFL2 loan \$000	Total \$000
Balance at 30 June 2016	27,711	54,342	82,053	71,498	-	153,551
Amount paid during the year	19,645	34,984	54,629	36,607	-	91,236
Amount payable at balance date	1,754	3,046	4,800	-	-	4,800
Less UFB contribution	(12,402)	(23,610)	(36,012)	(4,448)	-	(40,460)
Initial investment recognised	8,997	14,420	23,417	32,159	-	55,576
Interest revenue	1,928	4,614	6,542	2,788	-	9,330
Balance at 30 June 2017	38,636	73,376	112,012	106,445	-	218,457
Amount paid during the year	19,770	31,087	50,857	29,493	3,842	84,192
Amount payable at balance date	5,150	7,839	12,989	1,999	1,482	16,470
Less UFB contribution	(12,806)	(21,809)	(34,615)	(2,880)	(2,959)	(40,454)
Initial investment recognised	12,114	17,117	29,231	28,612	2,365	60,208
Interest revenue	2,619	5,984	8,603	3,810	61	12,474
Balance at 30 June 2018	53,369	96,477	149,846	138,867	2,426	291,139

Chorus overview

The investment structure with Chorus, CCHL and NFL2 differs from the model adopted for CIP’s investment in the LFC(s).

Chorus self-funds the design and build work and carries the risk of any cost overruns in the network build. CIP invests up to \$929 million in Chorus progressively as deployment stages are completed. Chorus is required to repay the Crown for its investment, between 2025 and 2036 or earlier, subject to conditions around fibre uptake that are described below. CIP’s investment in Chorus is by way of an equal share of Debt and Equity Securities (i.e. 50% CIP Debt Securities and 50% CIP Equity Securities). This regime has been extended to the UFB expansion, and a total of \$407 million of additional securities will be issued to CIP, with the ratio CIP Debt Securities and CIP Equity Securities being determined by Chorus, to a maximum of \$302 million CIP Equity Securities. These securities are issued progressively by Chorus, and subscribed to by CIP on a per-premises-passed basis as stages are completed and satisfy UAT.

Chorus will also issue to CIP Equity Warrants to allow CIP to participate in the upside of the financial performance of Chorus (one warrant for each \$1 of the CIP Equity Securities). The warrants are not currently considered significant.

Chorus Equity Securities - key terms

The Chorus Equity Securities carry no rights to vote at meetings of ordinary Chorus shareholders, but rank ahead of ordinary shareholders in the event of liquidation. Dividends will become payable on a portion of the Chorus Equity Securities from 2025 onwards, with the portion increasing with time until all of the Chorus Equity Securities attract dividends. These dividends are at the discretion of the Chorus Board; however, ordinary Chorus shareholders cannot be paid dividends if the Chorus Equity Securities’ dividends are unpaid.

The dividend rate will equal the New Zealand 180-day bank bill rate plus a margin of 6%. End-user (customer) fibre uptake will be measured as at 30 June 2020, the measure being the total number of premises in Chorus’s Candidate Areas (being those areas not covered by the LFCs) with fibre connections divided by the total number of premises with copper, fibre or Hybrid Fibre Co-Axial connections. Based on an expectation that uptake will be greater than 20% (being the end-user fibre uptake threshold), the portion of Chorus Equity Securities that attracts a dividend will be weighted towards the latter half of the period 2025 to 2036. It is expected that all Chorus Equity Securities will be attracting dividends by 2036. Chorus can redeem the Chorus Equity Securities in cash or by issuing Chorus ordinary shares (by reference to a formula) at any time.

At 30 June 2018 the Moody’s Chorus Credit rating is Baa2 (30 June 2017: Baa2), and Standard & Poor’s rating is BBB (2017: BBB). Both credit ratings are investment grade.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

4. INVESTMENTS (CONTINUED)

The terms of the Chorus Equity Securities do not prohibit the payment of dividends on Chorus ordinary shares. However, provisions elsewhere in the agreements prohibit Chorus, without CIP’s approval, paying any distributions on its ordinary shares during any period in which Chorus’s credit rating is below investment grade.

Chorus Debt Securities - key terms

The Chorus Debt Securities are unsecured and carry no interest, but in accordance with NZ PBE IPSAS 29: *Financial Instruments: Recognition and Measurement* they do have imputed interest calculated and shown on the face of the financial statements and, like the Chorus Equity Securities, have no voting rights. The principal amount of a Chorus Debt Security consists of a senior portion and a subordinated portion. The senior portion ranks equally with all other unsecured, unsubordinated creditors of Chorus, and has the benefit of any negative pledge covenant that may be contained in any of Chorus’s debt arrangements. The subordinated portion ranks above ordinary shares of Chorus. The initial value of the senior portion will be the present value of the sum repayable on the CIP Debt Securities. The initial subordinated portion is the difference between the issue price of the CIP Debt Securities and the value of the senior portion.

The repayment profile is based on a similar regime to that for the CIP Equity Securities the Debt Securities’ redemption profile is 18.5% in 2025 and 2030, and 27.7% in 2033 and the remaining 35% in 2036.

CCHL loan

On 29 June 2016 the Group’s investment in ENL was sold to the Partner (ESL), and as consideration CIP has a loan receivable from CCHL. CIP will continue to fund the UFB build by ENL by continuing to loan funds to CCHL progressively as stages are completed by ENL and satisfy UAT. CCHL is required to repay the loan and any further funding provided by the Group in 2021.

The repayment of the CCHL loan is secured against ESL’s shares and debt in ENL, and CIP also has security against the assets of ENL. The CCHL loan carries no interest, but like the Chorus Debt Securities has imputed interest calculated and shown on the face of the financial statements. The initial value of amounts advanced is the present value of the amount repayable in May 2021.

The loan becomes due for early repayment proportionately if ESL sells its interest in ENL, and is repayable in full if ESL’s shareholding in ENL falls to 49% (or less) or if the build is not completed in 2019.

Accounting policies

In the Company and Group financial statements, the investment in unlisted Equity Securities of Chorus is categorised as Available for Sale (AFS) and is measured at fair value. The investments are initially recognised at fair value, with gains and losses arising from changes in fair value recognised in other comprehensive revenue and expense and accumulated as a separate component of equity in the AFS revaluation reserve. Indications that Chorus is in significant financial difficulty and late payments are considered to be objective evidence of impairment. Impairment losses and interest are calculated using the effective interest method, and are recognised directly in surplus or deficit.

Dividends are recognised in surplus or deficit when the Company’s right to receive the dividends is established.

The Group’s investments in Chorus Debt Securities and the CCHL and NFL2 loans are categorised as loans and receivables and are measured initially at fair value and subsequently at amortised cost using the effective interest method, less any impairment. The accounting policy for impairment is set out in the general accounting policies section at the beginning of these financial statements. An impairment review has been performed and it has been determined in accordance with the relevant standards that there is no impairment. Interest income is recognised by applying the effective interest method.

Any difference in initial recognition between the fair value of the investment and the contribution by CIP is reflected in the UFB contribution line in surplus or deficit.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

4. INVESTMENTS (CONTINUED)

Key assumptions

Fair value is determined in the manner set out above under the LFC(s). The estimates used are based on market-observable data of similar types of instrument; these include corporate bonds that have similar maturity dates, credit risks and industry characteristics.

The key assumptions are set out below, along with information on a reasonably possible change (estimated based on past experience) and the potential impacts of such a change on the investment carrying value for the Chorus Equity Securities carried at fair value. The assumptions and sensitivities are also included for the Chorus Debt Securities, which are carried at amortised cost (fair value disclosed in note 15).

Key assumptions/ inputs				Equity Securities		Debt Securities	
	2018 Assumption	2017 Assumption	Possible change	2018 Impact \$000	2017 Impact \$000	2018 Impact \$000	2017 Impact \$000
Senior credit spread (BBB (2017: BBB))	167-252 bps	190-279 bps	+/-50 bps	NA	NA	-3,600/ +3,900	-2,700/ +2,900
Subordinated credit spread (BBB-/BB+ (2017: BBB-/BB+))	249-334 bps	278-367 bps	+/-50 bps	-8,200/ +8,700	-6,200/ +6,700	-6,900/ +7,400	-5,400/ +5,800
Risk-free term structure	2.52%-3.27%	2.91%-3.63%	+/-100 bps	-15,800/ +18,100	-12,000/ +13,900	-20,200/ +23,300	-15,600/ +18,100

FUNDING COMMITMENTS

UFB programme

The Crown, through CIP, will invest with the LFC(s), Chorus, and CCHL in relation to the ENL build over \$1.3 billion in the original UFB programme to 75% of the population, and a further \$433 million in UFB expansion, to cover a further 11% of the population; \$210 million is an additional government appropriation and \$223 million is from capital recycled by CIP. The table below summarises the number of premises that the entities are expected to have built in each financial year. CIP’s investment is at an agreed amount per premises passed multiplied by the number of premises passed. The agreed amount to be funded by CIP per UFB premises passed varies between each Partner.

Cumulative number of UFB premises passed #000	Financial year 2019	Financial year 2020	Financial year 2021	Financial year 2022	Financial year 2023
Total premises passed #000 <sup>1</sup>	1,205	1,302	1,396	1,406	1,434
Total investment \$m <sup>2</sup>	1,391	1,494	1,648	1,699	1,747

<sup>1</sup> Both the premises numbers and the funding shown above are cumulative.  
<sup>2</sup> The total investment is shown before the impact of the recycling mechanism.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

4. INVESTMENTS (CONTINUED)

RBI2/MBSF programme

The RBI2 programme is targeted at underserved (<20 Mbs) rural broadband households and businesses, and MBSF is targeted at providing mobile coverage to state highways and tourism sites. CIP has contracted with the Rural Connectivity Group (RCG)<sup>1</sup>, and local Wireless Internet Service Providers (WISPs). The payments vary between the tower locations and Eligible End Users (EEUs) covered, and the basis of payment is per tower for RCG, and EEUs for the WISPs. The Telecommunications Development Levy (TDL) funds up to \$180 million for the RBI2/MBSF programme. CIP receives the TDL as a Grant from the Ministry of Business, Innovation and Employment (MBIE), and itself Grants the funds to RCG and the WISPs. CIP will also fund up to a further \$110 million of the RBI2/MBSF programmes. The table below summarises the objectives to be achieved by the RBI2/MBSF programme.

CIP's performance targets for RBI2/MBSF		Financial year	Total programme <sup>2</sup>
		Fiscal 2019	By end of December 2022
1	Contracted Rural End Users to receive improved Broadband	7,238	43,101 <sup>3</sup>
2	Contracted Mobile Black Spot and tourist sites covered	9	95 <sup>4</sup>
3	Contracted Mobile Black Spot highway kilometres covered	190	892 <sup>5</sup>

Bulk Housing Infrastructure

In the May 2018 Government Budget, \$600 million over five years was appropriated to provide share capital to CIP for bulk housing infrastructure, subject to shareholding Minister approval for the capital calls. The purpose of the funding is to investigate and implement commercial models, including those that will enable co-investment from the private sector or any other sector, to achieve the Government's objectives for the deployment of water and roading infrastructure to support a timely increase in land for housing supply.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

5. PROPERTY, PLANT AND EQUIPMENT

	Information technology \$000	Other equipment \$000	Total \$000
<b>Parent</b>			
<b>Cost</b>			
Balance at 1 July 2016	431	131	562
Additions during the year	73	-	73
Disposals during the year	(4)	-	(4)
Balance at 30 June 2017	500	131	631
<b>Accumulated depreciation</b>			
Balance at 1 July 2016	330	88	418
Depreciation charge for the year	77	10	87
Disposals during the year	(4)	-	(4)
Balance at 30 June 2017	403	98	501
<b>Net book value at 30 June 2017</b>	<b>97</b>	<b>33</b>	<b>130</b>
<b>Cost</b>			
Balance at 1 July 2017	500	131	631
Additions during the year	53	13	66
Disposals during the year	(194)	-	(194)
Balance at 30 June 2018	359	144	503
<b>Accumulated depreciation</b>			
Balance at 1 July 2017	403	98	501
Depreciation charge for the year	67	10	77
Disposals during the year	(194)	-	(194)
Balance at 30 June 2018	276	108	384
<b>Net book value at 30 June 2018</b>	<b>83</b>	<b>36</b>	<b>119</b>

<sup>1</sup> A joint venture between Vodafone, Spark and 2Degrees.  
<sup>2</sup> Note the total programme shows what is contracted to date, and that the total programme targets will be adjusted once the RBI2/MBSF expansion contracts are agreed.  
<sup>3</sup> These end users are grant funded; the Mobile Network Operators (MNOs) will cover a further 31,407 end users commercially without any Government funding.  
<sup>4</sup> Unfunded commercial MNO coverage includes 13 tourism sites; total MNO and CIP coverage will be 108 tourism black spots.  
<sup>5</sup> Unfunded commercial MNO coverage includes 149 km of state highways; total MNO and CIP coverage will be 1,041 km of state highways

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Information technology \$000	Other equipment \$000	UFB network assets \$000	Total \$000
<b>Cost</b>				
Balance at 1 July 2016	431	276	41,696	42,403
Additions/(net of transfers between classes) during the year	73	(90)	4,459	4,442
Disposals during the year	(4)	-	-	(4)
Balance at 30 June 2017	500	186	46,155	46,841
<b>Accumulated depreciation</b>				
Balance at 1 July 2016	330	88	5,279	5,697
Depreciation charge for the year <sup>1</sup>	77	12	2,217	2,306
Disposals during the year	(4)	-	-	(4)
Balance at 30 June 2017	403	100	7,496	7,999
<b>Net book value at 30 June 2017</b>	<b>97</b>	<b>86</b>	<b>38,659</b>	<b>38,842</b>
<b>Net book value at 30 June 2016</b>	<b>101</b>	<b>188</b>	<b>36,417</b>	<b>36,706</b>
<b>Cost</b>				
Assets derecognised	-	(55)	(46,155)	(46,210)
Balance at 1 July 2017	500	131	-	631
Additions/(net of transfers between classes) during the year	53	13	-	66
Disposals during the year	(194)	-	-	(194)
Balance at 30 June 2018	<b>359</b>	<b>144</b>	<b>-</b>	<b>503</b>
<b>Accumulated depreciation</b>				
Assets derecognised	-	(2)	(7,496)	(7,498)
Balance at 1 July 2017	403	98	-	501
Depreciation charge for the year <sup>1</sup>	67	10	-	77
Disposals during the year	(194)	-	-	(194)
Balance at 30 June 2018	276	108	-	384
<b>Net book value at 30 June 2018</b>	<b>83</b>	<b>36</b>	<b>-</b>	<b>119</b>

<sup>1</sup> Depreciation includes depreciation from discontinued operations of \$Nil (2016: \$20.8 million).  
In the year ended 30 June 2017 NFL purchased new fibre-related assets from its Partner (Northpower) as part of the agreements, in exchange for B shares valued at \$3.6 million. Following deconsolidation on 1 July 2017 the Group balances no longer include NFL fibre-related assets.

ACCOUNTING POLICIES

Property, plant and equipment are shown at cost, less any accumulated depreciation and impairment losses.

Additions

The cost of an item of property, plant and equipment is recognised as an asset only when it is probable that the future economic benefits or service potential associated with the item will flow to the Group and the cost of the item can be measured reliably.

Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value when control over the asset is obtained.

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the assets. Gains and losses on disposals are included in surplus or deficit.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Subsequent costs

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that the future economic benefits or service potential associated with the item will flow to the Group and the cost of the item can be measured reliably.

The costs of day-to-day servicing of property, plant and equipment are recognised in surplus or deficit as they are incurred.

Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment at rates that will write off the costs of the assets to their estimated residual values over their useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

Information technology	2.5 years (40%)
Other equipment	4-17 years (6%-25%)
UFB network assets	5-40 years (2%-20%)

The residual value and useful life of an asset are reviewed, and adjusted if applicable, at each balance date.

Assessing the appropriateness of useful life and residual value estimates of property, plant and equipment requires the Group to consider a number of factors, such as the physical condition of each asset, the expected period of use of the asset by the Group, and the expected disposal proceeds from the future sale of the asset.

An incorrect estimate of the useful life or residual value will have an impact on the depreciation expense recognised in surplus or deficit, and the carrying amount of the asset in the statement of financial position. The Group minimises the risk of this estimation uncertainty by physical inspections of assets and asset replacement programmes.

Impairment

Property, plant and equipment are reviewed for impairment at each balance date and 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 an asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Impairment has been considered, and it has been determined there is no impairment (2017: Nil).



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

### 6. INTEREST

	Parent 2018 \$000	Group 2018 \$000	Parent 2017 \$000	Group 2017 \$000
<b>Continuing operations:</b>				
<b>Interest income</b>				
<b>Loans and receivables</b>				
Chorus Debt Securities	8,603	8,603	6,542	6,542
CCHL loan	3,810	3,810	2,788	2,788
NFL2 loan	61	61	-	-
Interest earned on cash balances with financial institutions	1,722	1,722	4,928	4,954
<b>AFS financial assets</b>				
Chorus Equity Securities	8,620	8,620	6,446	6,446
<b>Total interest income</b>	<b>22,816</b>	<b>22,816</b>	<b>20,704</b>	<b>20,730</b>

Interest rates are set out in note 15.

The interest income on the Chorus Debt Securities, CCHL loan, NFL2 loan and Chorus Equity Securities is the imputed interest calculated to approximate the effect of interest income to CIP on these instruments. The imputed interest is in effect the write-back of the discount on the investment for the year under review.

Interest income is recognised using the effective interest method. The effective interest rate is a rate that discounts estimated future cash receipts (including all fees and points paid or received between the parties, transaction costs and other premiums or discounts) through the expected life of a financial instrument, or where appropriate a shorter period, to the net carrying amount of the financial instrument at the time of initial recognition.

### 7. DIRECTORS' FEES

	Parent 2018 \$000	Parent 2017 \$000
<b>Continuing operations - Board member fees during the year were:</b>		
Simon Allen	80	87
Miriam Dean	39	41
Danelle Dinsdale	39	44
Jack Matthews	-	32
Murray Milner	39	41
Keith Tempest	39	41
<b>Total Board member fees</b>	<b>236</b>	<b>286</b>

Jack Matthews resigned in March 2017.

In the 2018 and 2017 financial years all Directors received additional fees associated with Board meetings further to those scheduled.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

### 7. DIRECTORS' FEES (CONTINUED)

#### LFC subsidiaries

	Subsidiaries 2018 \$000	Subsidiaries 2017 \$000
<b>Continuing operations - Board member fees during the year were:</b>		
Jo Brosnahan (NFL - Independent Chair)	-	60
	-	<b>60</b>
<b>Continuing operations total Board member fees - Group</b>	<b>236</b>	<b>368</b>

CIP and the Group have effected Directors' and Officers' Liability insurance to cover Directors and Officers. CIP and the Group indemnify the Directors against costs and liabilities incurred by Directors for acts and omissions made in their capacity as Directors to the extent permitted by CIP's Constitution and the Companies Act 1993.

The Directors' fees for NPF are paid by NPF.

### 8. EMPLOYEE ENTITLEMENTS, PERSONNEL COSTS AND KEY MANAGEMENT PERSONNEL

	Parent 2018 \$000	Group 2018 \$000	Parent 2017 \$000	Group 2017 \$000
<b>Continuing operations:</b>				
Salaries and wages	4,357	4,357	4,365	4,763
Employer contributions to defined contribution plans	50	50	83	94
Other staff benefits	62	62	120	120
<b>Total personnel costs</b>	<b>4,469</b>	<b>4,469</b>	<b>4,568</b>	<b>4,977</b>

In respect of continuing operations, CIP has 20 full-time-equivalent employees and seven contractors as at 30 June 2018 (2017: 16 and seven respectively). Also in respect of continuing operations, the Group has 20 full-time-equivalent employees and seven contractors as at 30 June 2017 (2017: 20 and seven respectively).

#### Key management personnel compensation

	Parent 2018 \$000	Group 2018 \$000	Parent 2017 \$000	Group 2017 \$000
<b>Continuing operations:</b>				
Directors (five Directors (2017: five) equals one full-time equivalent (2017: one))	236	236	308	368
Chief Executive Officer and senior management	2,113	2,113	2,321	2,532
<b>Total key management personnel compensation</b>	<b>2,349</b>	<b>2,349</b>	<b>2,629</b>	<b>2,900</b>

In the Parent and Group no significant compensation or termination benefits have been paid during the year (2017: Nil).

#### Short-term employee entitlements

Employee entitlements that the Group expects to be settled within 12 months of balance date are measured at undiscounted nominal values based on accrued entitlements at current rates of pay. Employee entitlements that are not expected to be settled within 12 months of balance date are measured as the present value of the estimated future cash outflows, in respect of services provided by employees up to balance date.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

8. EMPLOYEE ENTITLEMENTS, PERSONNEL COSTS  
AND KEY MANAGEMENT PERSONNEL (CONTINUED)

Defined contribution superannuation schemes

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

Total remuneration paid or payable for the year

	Parent 2018 # staff	Group 2018 # staff	Parent 2017 # staff	Group 2017 # staff
Continuing and discontinued operations:				
\$130,000 - \$139,999	-	-	2	2
\$140,000 - \$149,999	1	1	-	-
\$160,000 - \$169,999	-	-	1	1
\$170,000 - \$179,999	2	2	1	1
\$180,000 - \$189,999	1	1	1	1
\$190,000 - \$199,999	2	2	1	1
\$200,000 - \$209,999	1	1	1	1
\$210,000 - \$219,999	-	-	-	1
\$220,000 - \$229,999	-	-	1	1
\$230,000 - \$239,999	-	-	1	1
\$240,000 - \$249,999	1	1	-	-
\$270,000 - \$279,999	1	1	2	2
\$280,000 - \$289,999	1	1	1	1
\$290,000 - \$299,999	1	1	-	-
\$360,000 - \$369,999	-	-	1	1
\$380,000 - \$389,999	-	-	1	1
\$400,000 - \$409,999	1	1	-	-
\$420,000 - \$429,999	-	-	-	-
\$430,000 - \$439,999	-	-	1	1
\$460,000 - \$469,999	1	1	-	-
\$530,000 - \$539,999	-	-	1	1
\$560,000 - \$569,999	1	1	-	-
Total employees	14	14	16	17

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

9. PROFESSIONAL ADVISORY FEES

	Parent 2018 \$000	Group 2018 \$000	Parent 2017 \$000	Group 2017 \$000
Continuing operations:				
Accounting	1,078	1,078	79	79
Legal	775	775	1,805	1,824
Other	423	423	143	193
Total professional advisory fees	2,276	2,276	2,027	2,096

Accounting fees relate to non-audit accounting services provided; legal fees relate to the provision of legal services.

10. OTHER EXPENSES

	Parent 2018 \$000	Group 2018 \$000	Parent 2017 \$000	Group 2017 \$000
Continuing operations:				
Financial statements audit fees - Audit New Zealand	117	117	102	127
Other services from Audit New Zealand - regulatory reporting	-	-	28	36
Contractors and project management	1,623	1,623	1,376	1,376
Staff travel and accommodation	309	309	230	230
Operating lease expenses	296	296	279	279
Information technology	194	194	188	408
Other	270	270	355	519
Total other expenses	2,809	2,809	2,558	2,975

Audit New Zealand, on behalf of the Office of the Auditor-General, is the auditor of CIP and NFL.

Leases that do not transfer substantially all the risks and rewards incidental to ownership of an asset to the Group are classified as operating leases. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the term of the lease in surplus or deficit. Lease incentives received are recognised in surplus or deficit over the lease term as an integral part of the total lease expense.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

11. TAXATION

	Parent 2018 \$000	Group 2018 \$000	Parent 2017 \$000	Group 2017 \$000
Continuing operations:				
Income tax expense/(credit) recognised in surplus/(deficit)				
Deferred tax expense relating to tax losses and the origination and reversal of temporary differences	-	-	-	124
Total income tax expense/(credit)	-	-	-	124
Reconciliation				
Surplus/(deficit) for the period	(74,821)	(78,355)	(68,817)	(69,869)
Tax expense/(credit) calculated at 28% (2017: 28%)	(20,950)	(21,939)	(19,269)	(19,563)
Effect of other expenses that are not deductible	-	-	-	-
Prior period adjustment	-	-	-	-
Unrecognised tax losses	-	-	-	-
Effect of non-taxable status of the Parent company	20,950	21,939	19,269	19,687
Total income tax expense/(credit)	-	-	-	124

The tax on discontinued operations is shown in note 3.

CIP is a public authority and consequently is exempt from the payment of income tax, but is required to show the effective tax at 28% in the reconciliation above.

However, the LFC(s) are not exempt from the payment of income tax and accordingly the Group financial statements reflect the tax positions of the LFC(s) in accordance with the following policies:

- The tax currently payable is based on taxable profit for the reporting period. Taxable profit differs from surplus or deficit as reported in the statement of comprehensive revenue and expense because it excludes items of revenue 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 tax losses. Deferred tax assets are generally recognised for all deductible temporary differences and tax losses to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised and any necessary shareholder continuity will be maintained. 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 surplus or deficit.
- 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 and shareholder continuity will be maintained.
- 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 of the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.
- Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.
- Current and deferred taxes are recognised as expenses or income in surplus or deficit, except when they relate to items recognised in other comprehensive revenue and expense or directly in equity, in which case the taxes are also recognised in other comprehensive revenue and expense or directly in equity.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

11. TAXATION (CONTINUED)

A deferred tax asset was recognised in 2017 for the unused tax losses of NFL, as it is considered probable that there will be future taxable profits available against which to utilise the losses and that shareholder continuity will be maintained until these losses are utilised. This is evidenced by projections and annual business plans. No deferred tax asset was recognised in 2018 as the Group only consolidates tax exempt entities at the balance date.

The Group has no unrecognised tax losses (2017: \$Nil).

Goods and services tax

All items in the financial statements are presented exclusive of 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 presented as its own line item 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.

12. INCOME AND EXPENSES BY CATEGORY

The LFC(s)'s fair value gains represent the change in the book value to the value that CIP believes it would attain in the market as at balance date. CIP uses a discounted cash flow method and makes assumptions that are based on market data and the key characteristics of the instruments. The LFC(s)'s fair value movement is in effect the write-back of the discount on the investment for the year under review.

The revenue and expenses (excluding interest, which is set out in note 6) in each of the PBE IPSAS 29 categories are as follows:

	Parent 2018 \$000	Group 2018 \$000	Parent 2017 \$000	Group 2017 \$000
Continuing operations:				
Recognised in surplus/(deficit)				
Fair value gains/(losses) on financial assets designated as at FVTSD				
LFCs - UFB equity contribution	-	-	(65)	-
LFCs - equity fair value gains	-	-	1,534	-
Fair value losses on AFS financial assets				
Chorus Equity Securities - UFB contribution	(47,809)	(47,809)	(40,802)	(40,802)
Fair value gains/(losses) on held-for-trading financial assets				
Chorus Equity Warrants - fair value gains/(losses)	248	248	(202)	(202)
Fair value (losses) on loans and receivables				
Chorus Debt Securities - UFB contribution	(34,615)	(34,615)	(36,012)	(36,012)
CCHL loan - UFB contribution	(2,880)	(2,880)	(4,448)	(4,448)
NFL2 loan - UFB contribution	(2,959)	(2,959)		
Total recognised in surplus/(deficit)	(88,015)	(88,015)	(79,995)	(81,464)
Fair value gains on AFS financial assets				
Chorus Equity Securities - fair value gains <sup>1</sup>	9,193	9,193	2,162	2,162
Total recognised in other comprehensive revenue and expense	9,193	9,193	2,162	2,162

<sup>1</sup> Other comprehensive revenue and expense in the statement of comprehensive revenue and expense also includes gains and losses on discontinued operations.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

### 13. RECONCILIATION OF NET DEFICIT TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	Parent 2018 \$000	Group 2018 \$000	Parent 2017 \$000	Group 2017 \$000
<b>Net deficit after tax</b>	(74,821)	(78,355)	(70,409)	(70,194)
<b>Add/(less) non-cash items</b>				
Interest income	(21,094)	(21,094)	(15,776)	(15,776)
Fair value gain on FVTSD investments	-	-	(1,534)	-
Loss on deconsolidation of subsidiary	-	3,534	-	-
Fair value losses/(gains) on derivatives	(248)	(248)	202	202
Gain on sale of investments in LFC equity	(238)	(238)	-	-
Depreciation	77	77	87	5,149
UFB contribution	88,264	88,264	82,900	81,262
Deferred tax	-	-	-	(449)
<i>Total non-cash items</i>	66,761	70,295	65,879	70,388
<b>Add/(less) movements in working capital items</b>				
Trade and other receivables, GST and prepayments	(44,653)	(44,653)	(392)	(247)
Creditors and other payables	31,576	31,576	9,869	8,055
Employee entitlements	85	85	103	112
Deferred revenue	-	-	-	120
Net working capital of disposed subsidiary	-	-	-	12,227
<i>Net movements in working capital items</i>	(12,992)	(12,992)	9,580	20,267
<b>Add/(less) items reclassified as investing</b>				
Movements in trade and other receivables related to financing activities	45,000	45,000	-	-
Movements in creditors and other payables related to property, plant and equipment <sup>1</sup>	(10)	(10)	(32)	(32)
Movements in working capital of disposed subsidiary related to investing and financing activities <sup>1</sup>	-	-	-	(12,424)
Movements in creditors and other payables related to other investing activities	(141)	(141)	-	1,573
Movements in creditors and other payables related to Chorus investments and loans	(29,700)	(29,700)	(9,600)	(9,600)
<b>Net cash from operating activities</b>	<b>(5,903)</b>	<b>(5,903)</b>	<b>(4,582)</b>	<b>(22)</b>

<sup>1</sup> See notes 3, 5 and 14 for further information on non-cash property, plant and equipment transactions, and outstanding liabilities in respect of property, plant and equipment.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

### 14. CREDITORS AND OTHER PAYABLES

	Parent 2018 \$000	Group 2018 \$000	Parent 2017 \$000	Group 2017 \$000
Creditors	40,064	40,064	9,866	10,234
Accrued expenses	2,302	2,302	924	1,014
<b>Total creditors and other payables</b>	<b>42,366</b>	<b>42,366</b>	<b>10,790</b>	<b>11,248</b>

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

Asset purchases are set out in note 5.

### 15. FINANCIAL RISK

CIP's activities expose it to a variety of financial instrument risks, including market risk, credit risk and liquidity risk. CIP has a range 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. CIP and the Group are exposed to fair value interest rate risk on the Chorus Equity Securities, which are accounted for at fair value.

The Group is also exposed to fair value interest rate risk in relation to its fixed-interest-rate financial instruments, including bank deposits, Chorus Debt Securities, the CCHL loan and borrowings. However, because these items are not accounted for at fair value, fluctuations in interest rates do not have an impact on the surplus/(deficit) or the carrying amount recognised in the statement of financial position.

The average interest rate on CIP's bank term deposits is 3.1% (2017: 3.2%).

The terms of the Chorus Equity Securities and Debt Securities and the CCHL loan are set out in note 4.

##### 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. Investments and borrowings issued at variable interest rates expose CIP and the Group to cash flow interest rate risk.

CIP and the Group currently have no other variable-rate financial instruments; however, term deposits are re-priced every quarter.

##### Sensitivity analysis

In relation to bank deposits, as at 30 June 2018, if the deposit rate had been 50 basis points higher or lower, with all other variables held constant, the surplus/(deficit) for the period would have been approximately \$0.2 million (2017: \$0.4 million) higher/lower for CIP and the Group. This sensitivity is less than in the prior year as a lesser amount of cash and cash equivalents and investments in short-term bank deposits is held at balance date than in the prior year.

The sensitivities of the Chorus Securities are set out in the key assumptions section of note 4.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

15. FINANCIAL RISK (CONTINUED)

CREDIT RISK

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

Credit risk arises in CIP and the Group from exposure to counterparties where CIP deposits its surplus cash and through its exposure to trade debtors; Chorus through its investment in the Chorus Debt Securities; CCHL through its investment in the CCHL loan; NFL2 through its investment in the NFL2 loan; Ultrafast Fibre Limited (UFL) through its investment in the UFL loan; and the remaining Partner in respect of the option and forward sale arrangement in respect of NFL shares. The UFL loan is undrawn at the balance date but represents a future commitment to provide funding for UFB2; the amount of the loan is \$9 million.

CIP and the Group invest surplus cash with major registered trading banks. CIP's deposits are currently held with three (2017: five) major banks, which are registered New Zealand banks. CIP's Investment Policy limits the amount of credit exposure to any one institution (up to \$50 million with any one bank and subject to each bank having a credit rating of A or better).

CIP's maximum credit exposure is represented by the carrying amounts and the Group's commitment to purchase Chorus Securities and to provide further funding to each of CCHL, NFL2 and UFL. The CCHL loan is secured against ESL's shares and debt in ENL and the assets of ENL, as described in note 4. There is no other collateral held as security. The NFL2 loan is guaranteed by Northpower Limited (Northpower) and is secured against Northpower's shares and debt in NFL2 and the assets of NFL2. There is no other collateral held as security. The UFL loan is guaranteed by WEL Networks Limited. There is no collateral held as security. There are no material overdue or impaired assets at 30 June 2018 (2017: Nil).

LIQUIDITY RISK

Liquidity risk is the risk that CIP and the Group will encounter difficulty raising liquid funds to meet commitments as they fall due. CIP's primary mechanism for managing liquidity risk is capital funding from the Crown, and NFL funds its working capital requirements by equity contributions from the Partner. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

The Company and the Group hold cash at bank, either in an interest-bearing transactional account or in term deposits. Given the highly liquid nature of these accounts, those with an original maturity of less than 90 days are represented as cash in the statement of financial position, and those with an original maturity of greater than 90 days are represented as short-term deposits on the statement of financial position. All cash and short-term deposits are held in New Zealand.

In 2017, owing to excess cash levels, \$35 million was invested in short-term bank deposits at balance date, which matured within one year. In meeting its liquidity requirements CIP may also access funding through the uncalled capital mechanism, where CIP draws down funds from the Crown as required to fund the UFB investment.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

15. FINANCIAL RISK (CONTINUED)

Contractual maturity analysis of financial liabilities

At 30 June 2018 all CIP and Group financial liabilities are due for repayment within one year (2017: one year).

Additional information on CIP's commitment to purchase Chorus Securities and provide further funding to CCHL is set out in note 4.

FAIR VALUE MEASUREMENTS

The Chorus Debt Securities (carrying amount \$149.8 million (2017: \$112.0 million)) have a fair value of \$178.9 million (2017: \$130.4 million), predominantly due to mark-to-market interest rates falling compared with the amortised cost used in the initial recognition of the debt.

The carrying amounts of all other financial assets and liabilities approximate their fair values at 30 June 2018 and 30 June 2017.

CIP's and the Group's financial assets measured at fair value, and the movements therein, are set out in note 4. These financial assets are all considered to be at level three of the fair value hierarchy.

CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES

The carrying amounts of financial assets and liabilities in each of the PBE IPSAS 29 categories are as follows:

	Parent 2018 \$000	Group 2018 \$000	Parent 2017 \$000	Group 2017 \$000
<b>Loans and receivables</b>				
Cash and cash equivalents	34,077	34,077	48,285	49,508
Short-term bank deposits	-	-	35,000	35,000
Trade and other receivables	45,089	45,089	753	1,443
Investments in Chorus Debt Securities	149,846	149,846	112,012	112,012
CCHL loan	138,867	138,867	106,445	106,445
NFL2 loan	2,426	2,426	-	-
<i>Total loans and receivables</i>	370,305	370,305	302,495	304,408
<b>AFS financial assets</b>				
Investments in Chorus Equity Securities	147,869	147,869	104,179	104,179
<i>Total AFS financial assets</i>	147,869	147,869	104,179	104,179
<b>Financial assets designated as at FVTSD</b>				
Investments in LFCs (excluding held for sale)	-	-	16,728	-
<i>Total financial assets designated as at FVTSD</i>	-	-	16,728	-
<b>Held-for-trading financial assets</b>				
Investments in Chorus Equity Warrants	302	302	54	54
<i>Total held-for-trading financial assets</i>	302	302	54	54
<b>Total financial assets</b>	<b>518,476</b>	<b>518,476</b>	<b>423,456</b>	<b>408,641</b>
<b>Financial liabilities measured at amortised cost</b>				
Creditors and other payables	42,366	42,366	10,790	11,248
<i>Total financial liabilities measured at amortised cost</i>	42,366	42,366	10,790	11,248
<b>Total financial liabilities</b>	<b>42,366</b>	<b>42,366</b>	<b>10,790</b>	<b>11,248</b>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

16. CAPITAL AND CAPITAL MANAGEMENT

	Parent 2018 \$000 & #000	Group 2018 \$000 & #000	Parent 2017 \$000 & #000	Group 2017 \$000 & #000
Opening balance	927,900	927,900	927,900	927,900
Capital contribution	145,000	145,000	-	-
Balance at 30 June	1,072,900	1,072,900	927,900	927,900

Contributed capital represents proceeds from the issue of ordinary shares to the Crown, net of related share issue costs (if any). Distributions paid to the Crown (if any) are deducted from contributed capital.

The Crown investment made in CIP is represented by 1,555,400,200 \$1 ordinary shares issued (2017: 1,555,400,200), with 1,072,900,200 being fully paid (2017: 927,900,000) and 482,500,000 being unpaid (2017: 627,500,200). The Crown holds all the issued capital of CIP. All shares have equal voting and dividend rights and share equally in any distribution on wind-up.

Capital management

CIP's and the Group's capital is their equity, which comprises accumulated funds and share capital. Equity is represented by net assets.

CIP and the Group manage their equity as a by-product of prudently managing revenue, expenses, assets, liabilities, investments and general financial dealings to ensure that CIP and the Group achieve their objectives and purposes effectively, while remaining going concerns.

17. AFS REVALUATION RESERVE

	Parent 2018 \$000	Group 2018 \$000	Parent 2017 \$000	Group 2017 \$000
Opening balance	12,117	12,117	9,955	9,955
Chorus Equity Securities - fair value gains/(losses)	9,193	9,193	2,162	2,162
Balance at 30 June	21,310	21,310	12,117	12,117

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

18. EVENTS AFTER BALANCE DATE

Capital funds from appropriations of \$110 million were received in July 2018 and August 2018 for investment in the UFB programme.

The BHI programme is proceeding, and while no agreements have been signed at balance date, the projected timeframe to reach commercial close on the first project in calendar year 2018 is on track.

There have been no other significant events since balance date.

19. EXPLANATION OF SIGNIFICANT VARIANCES AGAINST BUDGET

The 2018 budgeted deficit of \$111.5 million was approved in the 2017/18 Statement of Performance Expectations. In prior periods the Parent did not publish budget figures; however, for 30 June 2018 it was expected that there would be no Group, and Parent figures were therefore budgeted.

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

	Parent Actual 2018 \$000	Parent Budget 2018 \$000
Income		
Interest income	22,816	24,191
UFB income	-	-
Grant Income	9,877	30,000
Other income	486	(2)
Total income	33,179	54,189
Expenses		
Directors' fees	236	418
Wages and salaries	4,469	4,429
Depreciation expense	77	112
Professional and advisory fees	2,276	2,165
Other expenses	2,809	2,817
UFB contribution - Chorus Equity Securities	47,809	51,731
UFB contribution - Chorus Debt Securities	34,615	49,125
UFB contribution - CCHL loan	2,880	6,736
UFB contribution - UFB2	2,959	12,987
Grant Expense	9,870	30,000
Total expenses	108,000	160,520
Surplus/(deficit) before tax	(74,821)	(106,331)
Tax expense/(credit)	-	-
Net surplus/(deficit)	(74,821)	(106,331)
Other comprehensive revenue and expense	9,193	(5,184)
Total comprehensive revenue and expense	(65,628)	(111,515)



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

19. EXPLANATION OF SIGNIFICANT VARIANCES  
AGAINST BUDGET (CONTINUED)

EXPLANATION OF SIGNIFICANT VARIANCES

The key variances are:

- The Grant income and expenses are less than budgeted, as the RBI2/MBSF is a new initiative for CIP, and, while build is progressing well, the milestone claims have been slower than expected. This has no impact on expected completion, being substantially by the end of calendar 2021, for what is currently contracted.
- UFB contribution - Chorus Equity Securities is less than budget; while the UFB annual minimum build stages were all handed over, the actual discount rates are lower than budgeted.
- UFB contribution - Chorus Debt Securities is less than budget; while the UFB annual minimum build stages were all handed over, actual discount rates are lower than budgeted.
- UFB contribution - CCHL loan is less than budget, as ENL has completed its brownfield premises build, which was below the contracted premises cap, and actual discount rates are lower than budgeted.
- UFB contribution - UFB2 is less than budget. The handover of build has been slower to start than expected; however, the build completion has been brought forward to 2022 from 2024.
- Other comprehensive revenue and expense predominantly reflects the fair value movements of the available for sale investments, and the actual discount rates are lower than budgeted.

STATEMENT OF FINANCIAL POSITION

	Parent Actual 2018 \$000	Parent Budget 2018 \$000
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	34,077	54,081
Trade and other receivables	45,089	200
GST receivable	412	166
Prepayments	22	99
<b>Total current assets</b>	79,600	54,546
<b>Non-current assets</b>		
Property, plant and equipment	119	93
Investment in NFL joint venture	15,707	16,000
Investments in Chorus Equity Securities	148,171	99,133
Investments in Chorus Debt Securities	149,846	139,332
Investments in LFC Loans	141,293	138,975
<b>Total non-current assets</b>	455,136	393,533
<b>Total assets</b>	<b>534,736</b>	<b>448,079</b>
<b>Liabilities</b>		
Creditors and other payables	42,366	416
Employee entitlements	817	519
<b>Total current liabilities</b>	43,183	935
<b>Total liabilities</b>	<b>43,183</b>	<b>935</b>
<b>Net assets</b>	<b>491,553</b>	<b>447,144</b>
<b>Contributed capital</b>	1,072,900	1,102,900
<b>AFS reserve</b>	21,310	-
<b>Retained earnings</b>	(602,657)	(655,756)
<b>Total equity</b>	<b>491,553</b>	<b>447,144</b>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

19. EXPLANATION OF SIGNIFICANT VARIANCES  
AGAINST BUDGET (CONTINUED)

The key variances are:

- Cash and cash equivalents is less than expected as CIP had not receipted all Capital Calls for 2018. A call was made for \$45 million in June, and this is reflected in the trade and other receivables, and received on 12 July 2018.
- Investments in Chorus Equity Securities - while the UFB annual minimum build stages were all handed over, the timing of handover and actual discount rates are lower than budgeted.
- Investments in Chorus Debt Securities - while the UFB annual minimum build stages were all handed over, the timing of handover and actual discount rates are lower than budgeted.
- Creditors and other payables includes the UFB stages (being premises passed but not yet paid) that were handed over at the end of June 2018 and have been accrued; the budget is based upon all stages being handed over and paid within the period.
- Contributed capital is less than budget as the full appropriation was not fully paid at 30 June 2018, the appropriation was less in the period with the difference allocated to future periods, and \$30 million wasn't called as it was not required owing to other funds being available.
- AFS reserve is greater than budget, as the discount rates were less than budget, and the value of the investments has increased; but, due to their nature, gains are not immediately recognised in the Statement of Comprehensive Revenue and Expense.

STATEMENT OF CHANGES IN EQUITY

	Parent Actual 2018 \$000	Parent Budget 2018 \$000
Opening equity	412,181	383,659
Total comprehensive revenue and expense	(65,628)	(111,515)
Capital contribution - Crown	145,000	175,000
<b>Total equity</b>	<b>491,553</b>	<b>447,144</b>

The key drivers of these variances are set out in the statement of comprehensive revenue and expense and statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

19. EXPLANATION OF SIGNIFICANT VARIANCES  
AGAINST BUDGET (CONTINUED)

STATEMENT OF CASH FLOWS

	Parent Actual 2018 \$000	Parent Budget 2018 \$000
<b>Cash flows from operating activities</b>		
Interest received	2,386	2,312
Grants received	9,877	30,000
Other receipts	1,752	-
Payments to suppliers and employees	(9,714)	(12,238)
Grant payments	(9,870)	(30,000)
GST (net)	(334)	16
<b>Net cash outflow from operating activities</b>	<b>(5,903)</b>	<b>(9,910)</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(56)	(75)
Investment in short-term bank deposits	35,000	-
Acquisition of investments in Chorus Equity Securities	(55,657)	(76,351)
Acquisition of investments in Chorus Debt Securities	(55,657)	(64,285)
Acquisition of investment in CCHL loan	(29,493)	(32,653)
Acquisition of investments in LFC Loans	(3,842)	(3,372)
Proceeds from sale of investments in LFC equity	1,162	-
Gain on sale of investments in LFC equity	238	-
<b>Net cash outflow from investing activities</b>	<b>(108,305)</b>	<b>(176,736)</b>
<b>Cash flows from financing activities</b>		
Capital contribution - Crown	100,000	175,000
Capital contribution - minority interests	-	-
Debt drawdown	-	-
Dividend to minority interests	-	-
<b>Net cash inflow from financing activities</b>	<b>100,000</b>	<b>175,000</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(14,208)</b>	<b>(11,646)</b>
Cash and cash equivalents at the beginning of the year	48,285	65,727
<b>Cash and cash equivalents at the end of the year</b>	<b>34,077</b>	<b>54,081</b>

EXPLANATION OF SIGNIFICANT VARIANCES:

The key variances are set out below:

- The Grant income and expenses are less than budgeted, as the RBI2/MBSF is a new initiative for CIP, and, while build is progressing well, the milestone claims have been slower than expected.
- Investments in short-term bank deposits were utilised in the period, and there were none at 30 June 2018.
- Capital contribution - Crown is less than budget as the full appropriation was not fully paid at 30 June 2018, the appropriation was less in the period, with the difference allocated to future periods, and \$30m wasn't called as it was not required owing to other funds being available.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

20. REPORTING AGAINST APPROPRIATION

WHAT IS INTENDED TO BE ACHIEVED WITH THIS APPROPRIATION

Appropriation: Broadband Investment

This appropriation is limited to the provision of ongoing investment funding for CIP to implement the Government's broadband investment commitment.

	Actual 2018 \$000	Appropriation 2018 \$000	Actual 2017 \$000	Appropriation 2017 \$000
<b>Appropriation for UFB1 30 June</b>				
Original appropriation UFB1	417,500	417,500	417,500	417,500
Cumulative adjustments	-	-	-	-
<b>Total adjusted appropriation</b>	<b>417,500</b>	<b>417,500</b>	<b>417,500</b>	<b>417,500</b>
Cumulative actual expenditure 1 July	-	-	-	-
Current-year actual expenditure	135,000	135,000	-	-
<b>Cumulative actual expenditure</b>	<b>135,000</b>	<b>135,000</b>	<b>-</b>	<b>-</b>
<b>Appropriation remaining for UFB1 30 June</b>	<b>282,500</b>	<b>282,500</b>	<b>417,500</b>	<b>417,500</b>
<b>Appropriation for UFB2 30 June</b>				
Original appropriation UFB2	210,000	210,000	210,000	210,000
Cumulative adjustments	-	-	-	-
<b>Total adjusted appropriation</b>	<b>210,000</b>	<b>210,000</b>	<b>210,000</b>	<b>210,000</b>
Cumulative actual expenditure 1 July	-	-	-	-
Current-year actual expenditure	10,000	10,000	-	-
<b>Cumulative actual expenditure</b>	<b>10,000</b>	<b>10,000</b>	<b>-</b>	<b>-</b>
<b>Appropriation remaining for UFB2 30 June</b>	<b>200,000</b>	<b>200,000</b>	<b>210,000</b>	<b>210,000</b>

These appropriations have been combined for the year ended 30 June 2019.

Assessment of performance	Actual standard of performance 2017/18	Budgeted standard of performance 2017/18
75% of New Zealanders have access to ultra-fast broadband (capable of peak speed of 100 megabits per second) by the end of 2019.	Rollout targets are met. The priority targets have been completed, and the 75% access target is on track to be met in 2019.	Rollout targets are met.
Assessment of performance	Actual standard of performance 2017/18	Budgeted standard of performance 2017/18
A further 5% of New Zealanders (additional to the 75% covered by the first phase of the programme) have access to ultra-fast broadband (capable of peak speed of 100 megabits per second) by the end of 2022.	Rollout targets are met. The additional 5% access target is on track to be met in 2022.	Rollout targets are met.
Assessment of performance	Actual standard of performance 2017/18	Budgeted standard of performance 2017/18
RBI2 and MBS contracts, subject to the progress of commercial negotiations, expected to be agreed.	By end calendar 2017.	Contracts in place by 30 August 2017.



DIRECTORY

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The Minister for State Owned  
Enterprises

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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  
Westpac New Zealand Limited  
Kiwibank Limited

Senior Management

Graham Mitchell, Chief Executive  
Dougal Evison, Finance Director

John Greenhough,  
Chief Technology Officer

Nick Manning, General Manager  
Government and Industry Relations

Kathryn Mitchell,  
Chief Legal and Risk Officer

Sean Wynne, Deputy CEO -  
Bulk Housing Infrastructure

Board of Directors

Simon Allen (Chairman)  
Mark Binns (Appointed 1 July 2018)  
Miriam Dean CNZM QC  
Danelle Dinsdale  
Dr Murray Milner  
Keith Tempest







Crown  
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