

Crown  
Infrastructure  
Partners

# **BUILDING TOGETHER**

*Hanga Ngātahi*

**ANNUAL REPORT 2020**  
FOR YEAR END 30 JUNE 2020







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**“ THE LOCKDOWN AND INCREASED RELIANCE ON BROADBAND CONNECTIVITY HIGHLIGHTED THE IMPORTANCE OF THE WORK CIP’S PARTNERS DO PROVIDING COVERAGE TO THOSE WORKING AND LEARNING REMOTELY ”**

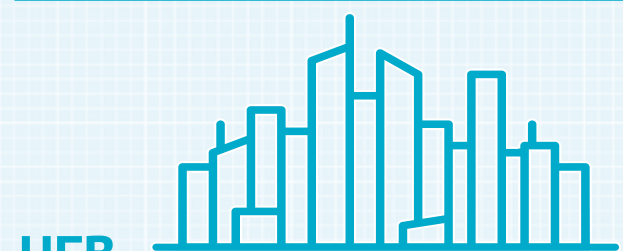






UFB  **60%**   
UPTAKE **8%**


UFB   
CONNECTIONS **183,624**

 **1,004,385**



UFB   
CITIES/  
TOWNS  
COMPLETE **194** **+84**


UFB AVAILABILITY   
 **1.68** **102,589**  
HOUSEHOLDS + BUSINESSES million


UFB POPULATION   
COVERAGE **83%** **+5%**

GIGABIT  
CONNECTIONS

**145,785**   
**+95%**

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

 AVERAGE SPEED  
UFB CONNECTION

**229Mbps** **+49Mbps** 

INFRASTRUCTURE  
REFERENCE GROUP

**45** NUMBER  
OF CIP IRG  
PROJECTS

**38** CONTRACTS SIGNED  
As at time of printing



GOVERNMENT FUNDING  
COMMITTED

 **\$1BN**  
INFRASTRUCTURE CONTRACTS

MARAE  
CONNECTED

**177**   
**79** WITH HARDWARE INSTALLED

RURAL BROADBAND  
COVERAGE TO DATE

**51,904**

HOMES & BUSINESSES  
COVERED

**62%**   
OF TARGET

 MOBILE TOWERS  
RURAL AND  
BLACKSPOTS

**126** TOWERS  
COMPLETE  
**22%** COMPLETE

STATE HIGHWAY  
KMs COVERED

**629km**  
**45%** COMPLETE



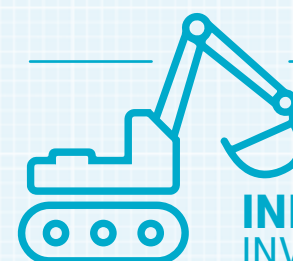
TOURISM SPOTS  
COVERED

 **50**  
**30%** COMPLETE

NET EARNINGS

 **(\$52.3)m**  
BETTER THAN BUDGET BY  
**\$62.8m**

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



INFRASTRUCTURE  
INVESTMENT TO DATE

**\$1.59BN**  
**+\$195m**

EMPLOYEE ENGAGEMENT

**4.53/5**  
EQUAL TO 2019  
ENGAGEMENT  
% RANK  
**90%**  
AGAINST NZ  
NORM GROUP



HEALTH & SAFETY  
UP FROM

TRIFR  
TOTAL RECORDABLE  
INJURY FREQUENCY  
RATE

**4.0**  **2.9**



## REPORT OF THE CHAIR AND CHIEF EXECUTIVE

# 2020 - A YEAR OF SIGNIFICANT CHALLENGES & CHANGE



**2020 HAS BEEN A CHALLENGING YEAR FOR NEW ZEALAND DUE TO COVID-19 AND THE FLOW-ON ECONOMIC IMPACTS. CROWN INFRASTRUCTURE PARTNERS (CIP) HAS AN IMPORTANT ROLE IN SUPPORTING THE GOVERNMENT IN ITS RESPONSE TO THE ECONOMIC IMPACTS OF COVID-19. THESE IMPACTS HAVE EMPHASISED THE IMPORTANCE OF THIS ROLE IN SUPPORTING INFRASTRUCTURE INVESTMENT IN CRITICAL AREAS.**

CIP is leading the co-ordination and implementation (along with other government agencies) of a significant economic stimulus programme centred on the report of the Infrastructure Reference Group (IRG), with investment of up to \$3 billion of Government funding into infrastructure that will support the economy and particularly construction sector employment. At the same time, the broadband and mobile networks CIP is funding are supporting the changed work patterns resulting from COVID-19 (especially the significant number of people working remotely) and enabling people to adopt new forms of communication such as video conferencing.

2020 has also been a year of significant change for CIP, with new responsibilities including the 'construction-ready' IRG infrastructure projects and taking on an infrastructure review role supporting the Department of Internal Affairs (DIA) in

the Government's 'three waters' (drinking water, wastewater and stormwater) review programme. CIP also has a new role as 'facilitator' under the recently enacted Infrastructure Funding and Financing Act 2020 (the **IFF Act**), which is aimed at funding a broad group of infrastructure types, and is a network infrastructure delivery procurement partner for the Public Safety Network, which is upgrading New Zealand's critical emergency services' communication networks.

These areas are in addition to our existing responsibilities for urban and rural broadband and mobile coverage via the Ultra-fast Broadband (UFB) and Rural Broadband Initiative phase 2/Mobile Black Spots Fund (RBIZ/MBSF) programmes, regional digital connectivity programmes (including West Coast and Southland regional fibre links and connecting marae to broadband), and the financing of infrastructure.

**“CROWN INFRASTRUCTURE PARTNERS HAS AN IMPORTANT ROLE IN SUPPORTING THE GOVERNMENT IN ITS RESPONSE TO THE ECONOMIC IMPACTS OF COVID-19”**



Rural Connectivity Group: Pōhara, Tasman



## INFRASTRUCTURE REFERENCE GROUP 'CONSTRUCTION-READY' PROGRAMME

The economic impacts of COVID-19 are significant. Infrastructure investment will play a key role in New Zealand's long-term economic recovery. Investment in construction-ready projects will inject fresh capital, confidence and jobs to support New Zealand's economic recovery.

On 1 April 2020, the Minister for Economic Development and the Minister for Infrastructure announced the establishment of the IRG, headed by CIP Chair Mark Binns. CIP acted as the secretariat for the IRG and has supported its activities.

The IRG was established in response to COVID-19 amid concerns of a significant downturn in the infrastructure and construction sectors. The IRG was tasked with preparing a list of infrastructure projects that were ready (or near ready) for construction, met certain national/regional public benefit criteria, were aligned with Government policy and could be deployed as part of a stimulatory package.

Following a brief process seeking submission of projects, the IRG received 1,924 proposals with a combined value of around \$136 billion, for a wide-ranging number of project types. A huge amount of work from a small team involved assessing all these proposals against the criteria set by the Government. The IRG then provided its final report to Ministers in May 2020. The Minister of Finance and Minister for Infrastructure announced on 1 July that a shortlist of more than 150 projects would be funded, with a focus on housing and urban development, energy, community development, environmental and other central and local government projects, with a total funding envelope of \$3 billion, including contingency.

Of these projects, the IRG Ministers allocated 45 to CIP to deliver, using approximately \$1.3 billion in Government funding. At the date of writing CIP has entered into 38 contracts for implementation, committing approximately \$1 billion of Government funding. At the date of writing IRG Ministers have approved 211 IRG projects in total, with Government funding of approximately \$2.17 billion. CIP also has a co-ordination role in the various agencies and organisations implementing IRG projects, for briefing Ministers and for reporting.

## INFRASTRUCTURE FUNDING AND FINANCING

The Infrastructure Funding and Financing Act 2020 has now been enacted and provides a funding and financing model for the provision of infrastructure for housing, urban development and other classes of infrastructure. It will enable CIP to facilitate the delivery of a much broader range of infrastructure, in a wider range of scenarios than was

previously possible. CIP has been appointed as the 'facilitator' in relation to the infrastructure funding and financing programme, and work is currently underway with Government officials and other stakeholders to begin implementation.

CIP's first infrastructure financing transaction was the Milldale development in Wainui, north of Auckland, in partnership with Auckland Council Group, Fulton Hogan Land Development and the Accident Compensation Corporation, which was executed in October 2018. This development will provide for up to 4,000 sections, with 398 released to date and bulk roading and water infrastructure construction well underway. Milldale's first childcare centre is officially opening in December and a primary school is in development, in addition to commercial retail and various forms of housing.

## THREE WATERS PROGRAMME

CIP also has a role in the Government's implementation of the three waters reform programme. CIP's role is in reviewing 'Delivery Plans' provided by Local Territorial Authorities for the utilisation of funding for three waters infrastructure being provided by the Government, and advising DIA on the suitability of these plans. CIP will also monitor progress against requirements in the Delivery Plans and funding agreements when infrastructure is deployed.

## COMPLETION OF THE ULTRA-FAST BROADBAND PROGRAMME

The original UFB programme to make fibre-to-the-home available to 75% of New Zealanders, which began in 2010, was completed on time and under budget in December 2019 - a significant milestone. The expansion to the UFB programme continues to be rolled out.

The UFB programme has well and truly exceeded expectations in regard to the speed, quality and uptake of fibre broadband services provided to New Zealanders. It is pleasing to see products being offered on the UFB network now that provide up to 8-gigabits-per-second download speeds, with unlimited data and with mainstream plans now being offered at affordable prices that are similar to those of other fixed broadband services.

The total UFB programme has covered more than 1.68 million households and businesses, including all urban schools and hospitals. The expansion of the UFB programme is still being rolled out by our delivery partners and is on track for completion in 2022, when UFB will cover 86% of the population. At the date of writing, 83% of the population has access to UFB. When the programme is complete, UFB will be available in 405 cities and towns across New Zealand.



Minister Grant Robertson announcing the Infrastructure Reference Group Construction Ready programme.

Homes and businesses across New Zealand are connecting to UFB at much higher rates than originally forecast, with one million connections achieved in June 2020 and uptake at approximately 60% versus the original forecast of approximately 44%. At the date of writing, uptake is now at 62%.

The UFB network performed very well during the COVID-19 Alert Level 4 lockdown. According to the Commerce Commission, a huge increase in the number of New Zealanders connected, working and learning from home caused heavy demand on broadband networks during the lockdown period. Despite this, the UFB wholesale fibre network performed very well with no congestion.

## REGIONAL DIGITAL CONNECTIVITY PROGRAMMES

The RB12/MBSF programmes continue to make broadband and mobile coverage available to more rural communities, with more than 51,900 rural homes and businesses able to access improved broadband (62% of the target). In addition, close to 630 kilometres of State Highway black spots (45% of the target) and 50 tourism sites (30% of the target) now have access to mobile coverage where previously there was none. At 30 June 126 mobile towers were deployed and at the date of writing 156 have been deployed. The programme is on track

and making good progress, despite challenges from COVID-19 this year.

The marae digital connectivity programme that CIP is implementing together with the Provincial Development Unit and Te Puni Kōkiri continues to gain momentum, and will continue to provide further marae connectivity around the country. This programme is targeted for completion by 2021, and there is an ever-increasing number of eligible marae applying to be connected (383 at 30 June). There were 177 marae connected across Aotearoa at 30 June 2020 (302 at the date of writing) and nearly 500 marae have applied to be connected at the date of writing. The programme will enable a significant number of marae to connect and receive digital enablement equipment at no cost.

To further progress connectivity and resilience in some of the most remote parts of New Zealand, CIP has contracted the deployment of two additional fibre links with funding from the Provincial Growth Fund (PGF). The first fibre link, on the West Coast, is 260 kilometres from Fox to Hāwea and the second, in Southland, is 12 kilometres from Te Ānau to Milford Sound. These investments will extend and improve internet access and mobile coverage across the entire area, including the development of broadband infrastructure in and around



Haast and Milford Sound, and improve resilience for the whole south-western side of the South Island. Work on both fibre links has started and is expected to be complete in 2022, and at the date of writing approximately 39 kilometres have been built on the Haast link.

### PUBLIC SAFETY NETWORK

CIP is the infrastructure procurement delivery partner for the Public Safety Network, which is an upgrade to the existing critical communications network used by emergency services across the country. The new network will be a combination of mobile and radio technologies. CIP has significant experience in network infrastructure procurement and is pleased to be assisting such a worthwhile project.

### FINANCIAL RESULTS

CIP exceeded its Statement of Performance Expectations' financial targets in FY20. CIP's net loss before fair value movements on investments was \$31.8 million (the planned net loss was \$30.5 million). CIP's net loss for the financial year was \$52.3 million compared with a planned net loss of \$115.1 million for the year. The significantly positive variance is largely due to falling interest rates, resulting in favourable fair value movements of CIP's investments.

In the year CIP called \$90 million of capital from the Government for UFB, and \$7 million of capital for infrastructure financing. CIP received grant income via the Government of \$35 million from the Telecommunications Development Levy, and \$11.8 million from the PGF for the regional digital connectivity programmes. \$16 million was drawn from the ACC debt facility to fund Milldale infrastructure.

During FY20 CIP invested \$195.3 million with partners for UFB, RBI2/MBSF, digital connectivity and infrastructure projects. The Milldale infrastructure transaction has a total investment to date of \$23.5 million.

### WORKPLACE HEALTH AND SAFETY AND STAFF

The Total Recordable Injury Frequency Rate for the UFB and RBI2/MBSF programmes for the year to June 2020 was 4.0, which was an increase on the previous year (2.9 for FY19). Delivery partners advised CIP of 34 recordable injuries in total versus 33 last year. The number of hours worked notified to CIP by delivery partners for the period was 8.5 million, a significant drop from 11.4 million hours worked in FY19 due to the completion of the original UFB programme.

Maintaining a low injury frequency rate is a priority for continued focus by CIP and the delivery partners. CIP will continue to keep workplace safety under active management.

CIP has a small, dedicated team working across the programmes and retains very good staff engagement (in the 90th percentile of New Zealand organisations). CIP continues to focus on staff wellbeing and development.

### OUTLOOK FOR 2021

CIP will be working hard to continue implementing its existing programmes and commencing new projects, particularly the large number of IRG projects for which CIP is responsible. CIP will also carry on its co-ordination work for the IRG programme. In the digital connectivity areas, the deployment of the West Coast and Southland fibre links will continue, and CIP will continue its work with the Public Safety Network, connecting marae around the country and implementing the rural capacity upgrades and IRG digital package programme. The UFB and RBI2/MBSF programmes will continue towards their completion. CIP will also be supporting DIA with reviewing the progress of Local Territorial Authorities nationwide on their Delivery Plans for three waters infrastructure, and advancing the infrastructure funding and financing projects and opportunities.

CIP is pleased to be supporting the Government's response to COVID-19 through its infrastructure funding and financing initiatives, and extends its appreciation in particular to its delivery partners, including all the individuals and organisations who have contributed to the ongoing success of its programmes.



Mark Binns  
Chair  
5 November 2020



Graham Mitchell  
Chief Executive  
5 November 2020



“THE RBI2/MBSF  
PROGRAMME  
CONTINUES TO  
MAKE BROADBAND  
AND MOBILE  
COVERAGE  
AVAILABLE TO  
MORE RURAL  
COMMUNITIES”

Rural Connectivity Group: Pōhara, Tasman



## CIP AREAS OF FOCUS:

# ‘CONSTRUCTION-READY’ INFRASTRUCTURE REFERENCE GROUP PROGRAMME

**When Aotearoa New Zealand went into COVID-19 lockdown, CIP assisted the IRG to advise the Government on issues affecting the construction and infrastructure industries as a result of COVID-19.**

The IRG's initial task was to prepare a list of infrastructure projects ready for construction that could, if the Government deemed it appropriate, be deployed as part of a stimulatory package.

Within a two-to-three week period, CIP received proposals for 1,924 projects from a mix of local and central government entities, private sector entities, charities, trusts and iwi across the country. CIP then established a process for assessing the proposals against the IRG criteria.

The IRG considered 802 projects to meet the criteria and reported to the IRG Ministers (the Minister of Finance, the Minister for Infrastructure and the Associate Finance Ministers) on these projects in May 2020.

As part of the 2020 Budget package, the Government

announced that a \$3 billion stimulus package would be invested into 'construction-ready' projects. This would include investments in projects received through the IRG process. On 1 July 2020 the Government announced that a number of IRG projects would be funded.

A number of government agencies were allocated responsibility for completing the due diligence and negotiation of funding arrangements for the construction-ready projects. CIP was allocated responsibility for 45 projects - typically larger-scale projects submitted by local government, trusts and charities and the private sector.

At the time of writing, of the 45 allocated projects, CIP has entered into funding arrangements for 38 worth approximately \$1 billion of Government funding.



Olympic pool: Gisborne District Council. Project value: \$46.1M. Government funding: \$40.4M.



The University of Auckland: Faculty of Education and Social Work, University of Auckland, Project Value: \$275M. Government funding: \$200M



YMCA Christchurch central redevelopment: YMCA Christchurch. Project value: \$43M. Government funding: \$43M.



## CIP AREAS OF FOCUS:

# INFRASTRUCTURE FINANCING

**CIP continues to carry out its role of facilitating the financing of infrastructure, including the existing ‘bulk housing infrastructure’ transaction for the Milldale development and the role of Facilitator as appointed by Ministers to support the financing enabled by the recently enacted IFF Act.**

CIP will be able to facilitate the financing of a much wider range of infrastructure, including for housing and urban development.

CIP supported officials in relation to the passage of the Infrastructure Funding and Financing Bill.

The IFF Act enables a statutory levy to be authorised to finance new and upgraded infrastructure, including the urban development of infrastructure, water services, transport, community infrastructure and facilities and environmental resilience infrastructure.

In effect this widens the scope of the type of infrastructure for which CIP can facilitate financing, instead of its being limited to infrastructure to support an increase in housing supply (as was CIP's previous mandate).

## MILLDALE

25 October 2020 marked the second anniversary of CIP's Milldale transaction. The success of this new development is evident in the 398 sections developed and 310 houses built.

Along with housing, the development will soon have its first childcare facility, due to open in December 2020.

The Ministry of Education has also confirmed that a primary school will be built in the Milldale development.

Stage One of the Milldale to Millwater wastewater tunnel has also been completed. This is vested to Watercare.

The project to build the Weiti bridge, which provides the main access to Milldale from the Silverdale off-ramp on the Auckland Northern Motorway, is now underway.



Above — Milldale Development

Opposite — The beams of the Weiti bridge being lifted into place.





CIP AREAS OF FOCUS:

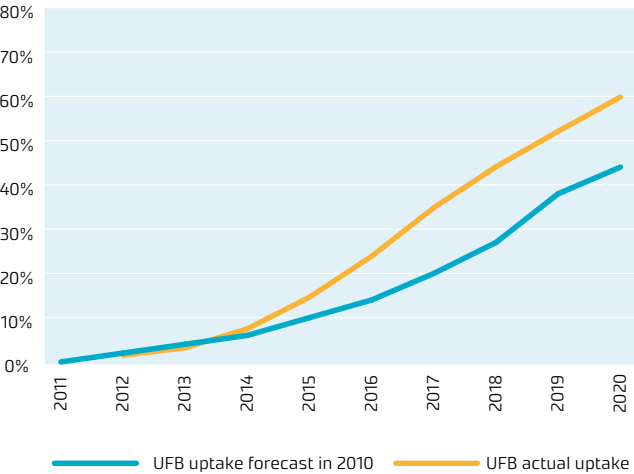
# ULTRA FAST BROADBAND 2020

The original UFB programme was completed in December 2019 - on schedule and under budget.

The final house to have UFB made available to it was passed in Blockhouse Bay, Auckland, with the Minister of Broadcasting, Communications and Digital Media, Hon Kris Faafoi, connecting the final fibres, and Chorus CEO JB Rousselot and CIP CEO Graham Mitchell in attendance as well.

The actual uptake of the UFB programme has consistently exceeded the original forecast, on a larger coverage area (83% vs 75% population coverage).

UFB UPTAKE 2010/11 FORECAST VS ACTUAL



Hon Kris Faafoi (Minister of Broadcasting, Communications and Digital Media), Graham Mitchell (CIP), and JB Rousselot (Chorus)

Number of towns/cities with access to UFB	194
Uptake of End Users	60%
Population % with access to UFB	83%



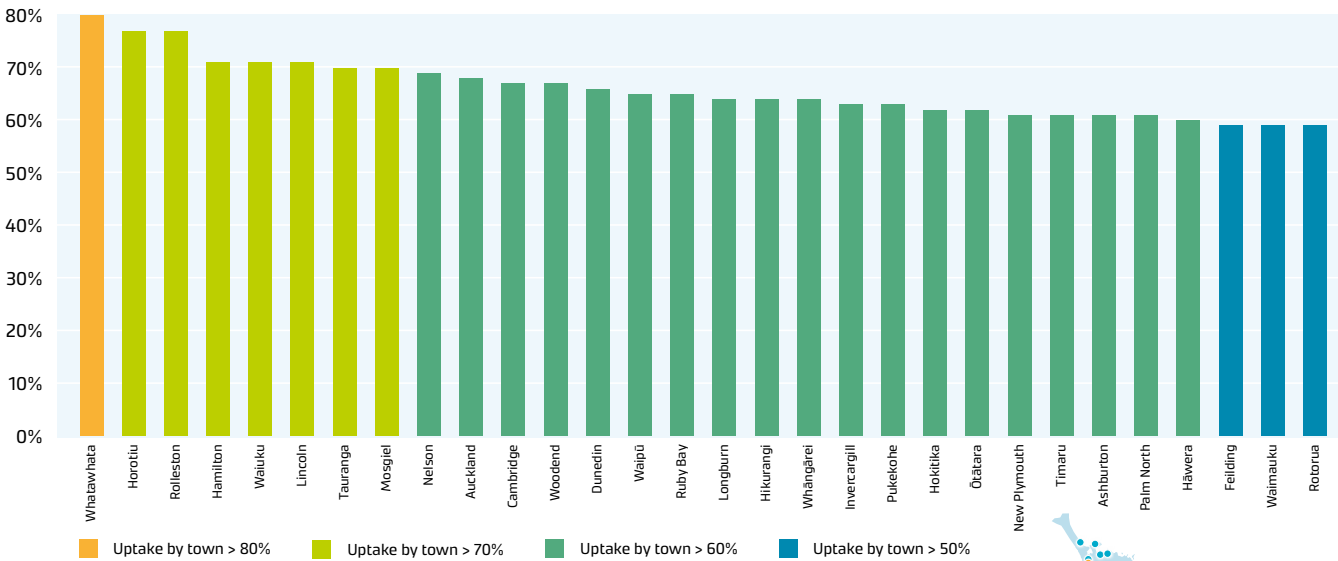
Top left to bottom right: Some of the towns completed in this financial year - Ahipara, Culverden, Greytown, Kimbolton, Leithfield Beach, Omarama, Opatiki, Paeroa



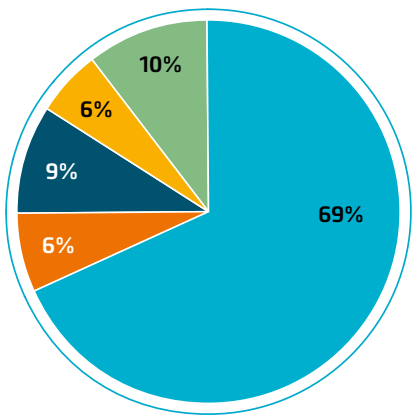
Left to right: Towns with top uptake - Whatawhata, Waiuku, Rolleston, Hamilton

Uptake is now at 60% across the programme, with a number of towns over 80%. Connections are at 1,004,385.

UFB UPTAKE BY TOWN: TOP 30 AS AT 30 JUNE 2020

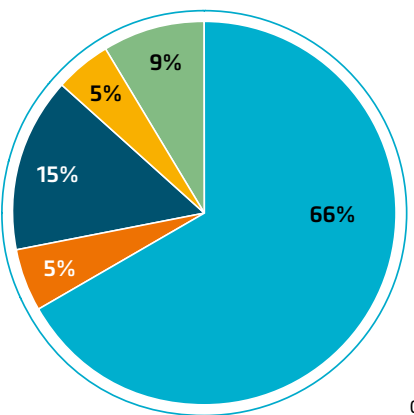


90% OF CONNECTIONS ARE NOW AT OR OVER 100 MEGABITS PER SECOND (Mbps)

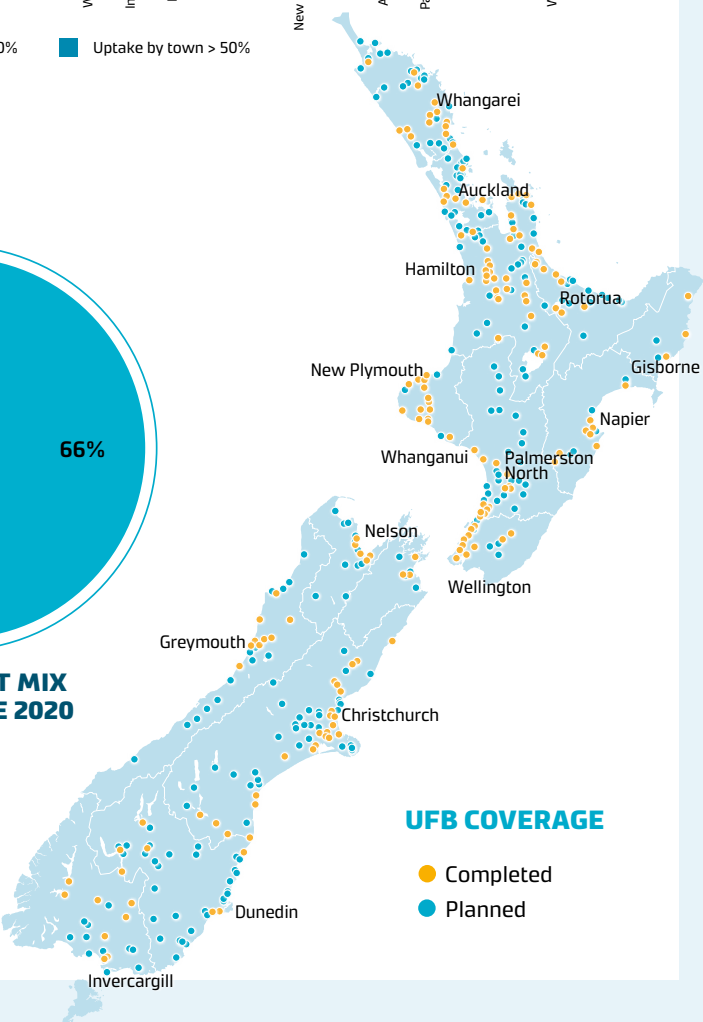


UFB PRODUCT MIX AS AT 30 JUNE 2019

- 30 Mbps
- 50 Mbps
- 100 Mbps
- 200 Mbps
- 1000 Mbps



UFB PRODUCT MIX AS AT 30 JUNE 2020



UFB COVERAGE

- Completed
- Planned

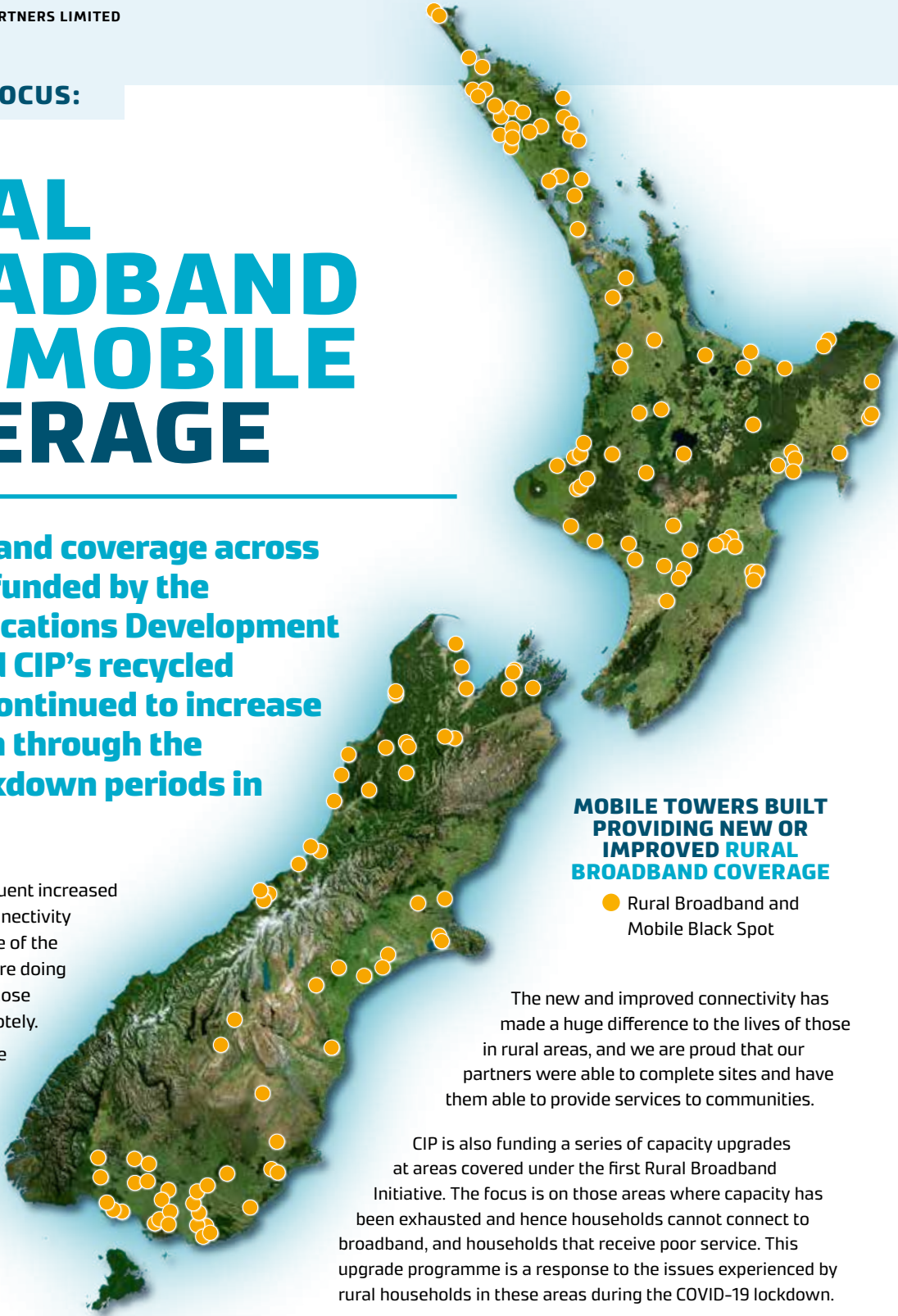


CIP AREAS OF FOCUS:

# RURAL BROADBAND AND MOBILE COVERAGE

Rural broadband coverage across the country (funded by the Telecommunications Development Levy, PGF and CIP’s recycled capital) has continued to increase steadily, even through the COVID-19 lockdown periods in early 2020.

The lockdown and consequent increased reliance on broadband connectivity highlighted the importance of the work that our partners were doing in providing coverage to those working and learning remotely. Our delivery partners were granted designated essential service status, which enabled them to continue working and building towers as planned while following strict health and safety protocols.



Rural Connectivity Group: Pōhara, Tasman



Unifone: Styx



Inspire Net - Pururiri



Amuri.net - Lees Valley



Primo - German Hill



Unifone - Hinahina Hill

## RURAL BROADBAND FOR HOUSEHOLDS AND BUSINESSES

At 30 June 2020, under the RBI2/MBSF programme, 51,904 rural households and businesses had access to improved broadband, an increase during the year of approximately 13,200 homes and businesses. These service improvements were provided by Wireless Internet Service Providers (WISPs) (approximately 3,322 homes and businesses) and the Rural Connectivity Group (RCG) (approximately 8,130), while existing telecommunication operators extended coverage for approximately 1,790 commercial enterprises.

## MOBILE COVERAGE ON STATE HIGHWAY AND TOURISM SITES

There are now 50 tourism sites (an increase of 24 sites from last year) and 629 kilometres of State Highway (an increase of 391 kilometres from last year) that have new mobile coverage.

### TOURISM SITES

In addition to funding mobile coverage for the current Mobile Black Spots programme, the Provincial Development Unit is funding coverage at a number of tourism spots on the West Coast.

The Pike River Memorial Track, Clarke Bluff on State Highway 6, Mākirikiri Stream and the Coghlan's Lookout at Punakaiki will receive mobile coverage from all three mobile operators



Pike River Memorial Track.

## TOP FIVE STATE HIGHWAYS BY KILOMETRE WITH NEW MOBILE COVERAGE

STATE HIGHWAY	KILOMETRES COMPLETE	% OF CONTRACT COMPLETE
6	107.7 KM	37.8%
12	41.3 KM	60.7%
2	37.6 KM	33.7%
4	34.7 KM	47.4%
87	15.9 KM	100.0%





CIP AREAS OF FOCUS:



DIGITAL CONNECTIVITY PROGRAMMES

The PGF has provided additional funding to a number of our digital connectivity programmes.

Marae digital connectivity programme

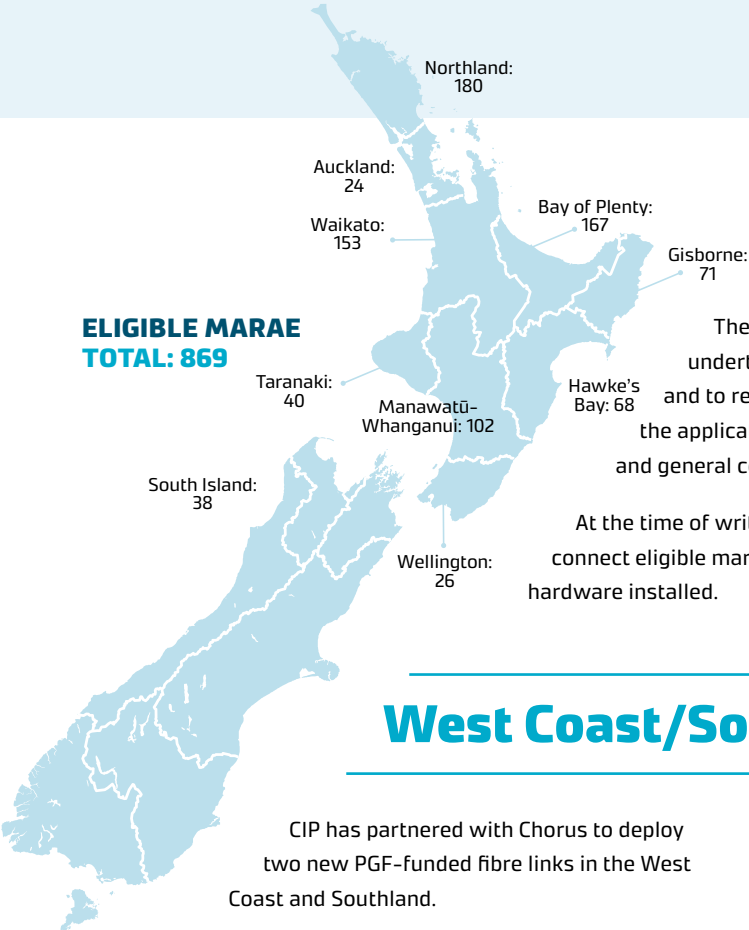


Prime Minister Jacinda Ardern and Ministers Kelvin Davis and Nanaia Mahuta at Tūrangawaewae Marae in Waikato.

CIP is responsible for implementing the telecommunications connectivity component of the PGF<sup>1</sup> marae digital connectivity programme. The programme involves providing marae with broadband connections and hardware, and technical support to utilise the connections.



1. The programme was recently expanded to include urban marae in the major centres, so now all eligible marae nationally can connect. This component is funded separately by CIP.



The purpose of the programme is to support whānau and hapū to undertake economic activity and enhance their digital capabilities, and to revitalise marae as local digital hubs. Te Puni Kōkiri is managing the application process, engagement with marae communities and hapū, and general communication.

At the time of writing, CIP has received approximately 500 applications to connect eligible marae, and of these 300 are now connected and 220 have hardware installed.

West Coast/Southland digital fibre links

CIP has partnered with Chorus to deploy two new PGF-funded fibre links in the West Coast and Southland.

The West Coast fibre link will start in Hāwea and traverse State Highway 6 westward to Haast, then north up the State Highway to Fox Glacier township. The Southland fibre link will start in Te Ānau and traverse north and west along State Highway 94 and into Milford Sound.

The purpose of the fibre links is to enable more reliable and faster broadband access to locations along the paths of the links. They will provide:

- fibre 'backhaul' for planned mobile towers that will provide mobile coverage on State Highways 6 and 94, and the various tourism areas near the fibre links;
- improved network resilience for the whole of the West Coast and lower South Island; and
- backhaul for telecommunications operators.



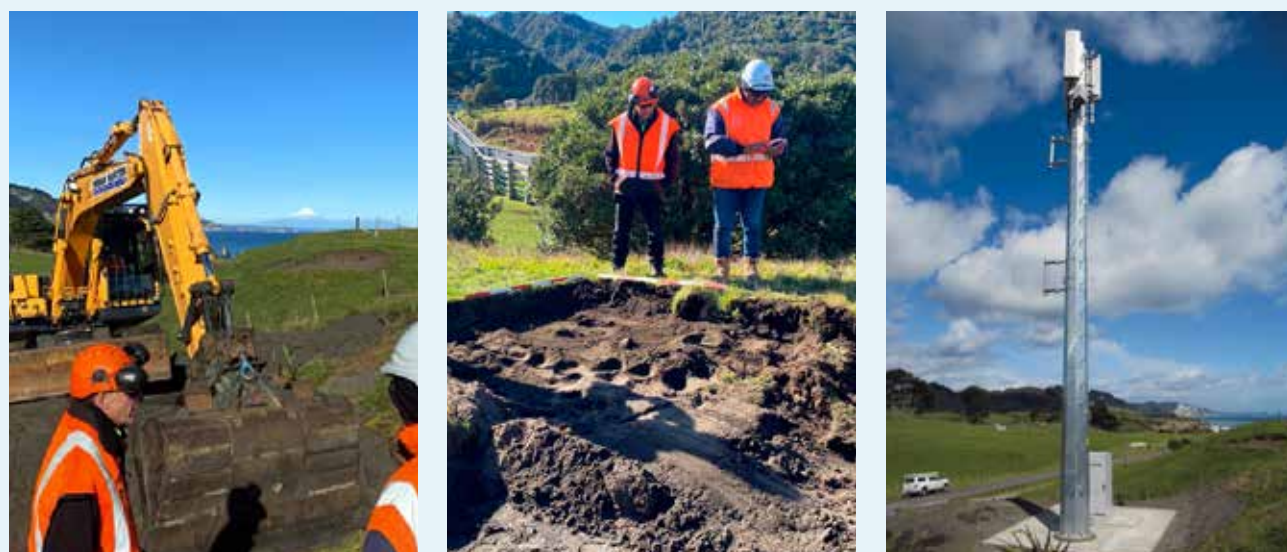
25-tonne rock saw for use on the fibre link projects



## CASE STUDY 2020

# 150TH MOBILE TOWER\* COMPLETED BY RURAL CONNECTIVITY GROUP

**The RCG achieved its 150th mobile tower live at Tongapōrutu. The area is on the historic and picturesque Taranaki coast and has a long history of Māori settlement and of iwi movement up and down the coastline.**



Left to right: View from the site build! Daniel McCurdy, archaeologist, and Ngatai Rauputu, kaitiaki, discussing the find of the midden and hāngi. The completed mobile tower

The RCG team were very respectful of this history when working early on with iwi Ngāti Maniapoto and Ngāti Tama to agree on a site location that did not interfere with a pā site or ancient burial grounds. Once a site location was decided on, they agreed protocols to follow in the case of any accidental discovery of artefacts. Daniel McCurdy, an archaeologist from Geometria, led the RCG application to Heritage New Zealand for permission to modify a historic site. This was duly given, allowing the tower to be built.

Works commenced in August 2020 with a karakia, and the excavation works were overseen by kaitiaki monitor Ngatai Rauputu, representing both iwi, as well as Daniel the archaeologist. During the excavation a small midden and hāngi pit were uncovered about 20 centimetres below the surface, both in good condition. It was agreed that it looked to be a spot where a small whānau group had stopped during their travels in the area, to shelter behind the sand dune and have a hāngi. Maybe it was a cold and windswept Taranaki day and they needed to fill

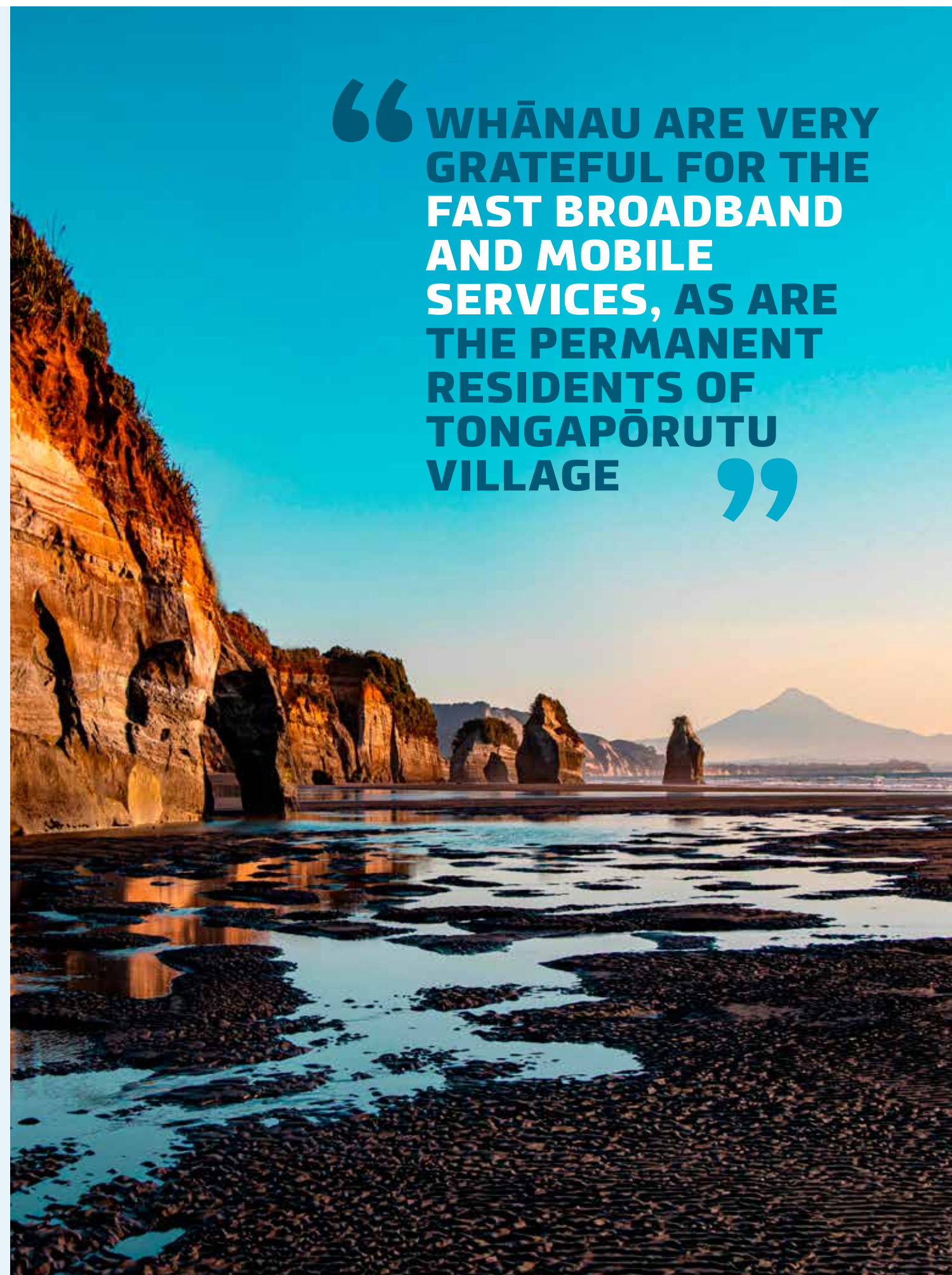
their puku to continue the journey in the unpleasant weather?

Ngatai and Daniel took samples from the midden and hāngi, believed to be quite old, and they have been sent off for carbon dating. Because of the RCG pre-work with Ngāti Maniapoto, Ngāti Tama and Heritage New Zealand, the find was able to be assessed on site and samples taken, and work could continue uninterrupted.

It is exciting to think that this ancient whānau sheltered in a spot close to where an RCG mobile site now provides comfort and safety for travellers along State Highway 3. Their modern-day whānau are also very grateful for the fast broadband and mobile services from Spark, Vodafone and 2degrees, as are the permanent residents of Tongapōrutu village. Everyone involved with this project has been especially pleased with the respectful approach to mana whenua and the engagement process undertaken.

It is a worthy site to have obtained the title of 150th site!

“WHĀNAU ARE VERY GRATEFUL FOR THE FAST BROADBAND AND MOBILE SERVICES, AS ARE THE PERMANENT RESIDENTS OF TONGAPŌRUTU VILLAGE”



\* At time of publishing



# PARTNER PROFILES

## CIP’S PARTNERS FOR THE UFB PROGRAMME AND FIBRE LINK 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 350 cities and towns throughout New Zealand, covering over one million End Users (EU). Chorus sells wholesale fibre services to Retail Service Providers (RSPs). Chorus is listed on the NZX and ASX.

End Users* covered to date	1,212,378
% of total coverage complete	87%
Uptake across all areas	59%

Chorus is also delivering the Haast and Milford fibre links.



**Ultrafast Fibre Limited (UFF)** was 100% owned by Waikato Networks Limited (WEL) and has recently been sold (August 2020) to First Sentier Investors, an Australian managed fund. WEL holds \$200 million of shares in UFF for a further 18 months. UFF has deployed UFB in the urban areas of Hamilton, Tauranga, Whanganui, New Plymouth, Tokoroa, Hāwera, Cambridge and Te Awamutu.

End Users covered to date	232,809
% of total coverage complete	100%
Uptake across all areas	64%



**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 RSPs. 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	32,138
% of total coverage complete	98%
Uptake across all areas	58%



**Enable Services Limited (ESL)**, a subsidiary of Christchurch City Holdings Limited (CCHL), has completed its contracted obligations with CIP to deploy the UFB network in Christchurch, Rangiora and surrounding areas. ESL owns Enable Networks Limited (ENL), the LFC that owns and operates the UFB network and sells wholesale fibre services to RSPs. CIP funded a portion of this build through an interest-free loan to CCHL, which is repayable in May 2021 and is secured over the assets of ENL and the shares and debt held by ESL in ENL.

End Users covered to date	201,453
% of total coverage complete	100%
Uptake across all areas	58%

\* An End User is a household, business, school, hospital or marae.

## CIP’S PARTNERS FOR THE RBI2/MBSF PROGRAMMES ARE:



**The Rural Connectivity Group (RCG)** is a joint venture 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.

End Users* contracted	38,072
End Users completed	9,877
% complete	26%

Kms contracted	1,253 <sup>1</sup>
Kms completed	424
% complete	35%

Tourism sites contracted	152 <sup>1</sup>
Tourism sites completed	36
% complete	24%

<sup>1</sup> Additional State Highway and Tourism site coverage is provided commercially by some of the Mobile Network Operators.



**Amuri.net** is a Wireless Internet Service Provider (WISP) contracted to provide improved rural broadband service in the North Canterbury region.

End Users completed	394
End Users contracted	538
% complete	73%



**AoNet Broadbad** is a WISP contracted to provide improved rural broadband services in the King Country, Manawātū and Whanganui regions.

End Users contracted	1,158
End Users completed	370
% complete	32%



**Evolution Networks** is a WISP contracted to provide improved rural broadband services in the Ōpōtiki and Whakatāne districts.

End Users contracted	319
End Users completed	153
% complete	48%



**Gisborne Net** is a WISP contracted to provide improved rural broadband services in the Gisborne and Northern Hawke’s Bay regions. It provides a commercial service to Rocket Lab, not funded by CIP.

End Users contracted	1,940
End Users completed	1,073
% complete	55%



**Inspire Net** is a WISP contracted to provide improved rural broadband services in the Manawātū-Whanganui region.

End Users contracted	2,626
End Users completed	1,484
% complete	57%



**Kiwiwifi** is a WISP contracted to provide improved rural broadband services in the Tasman District.

End Users contracted	545
End Users completed	184
% complete	34%

\* An End User is a household, business, school, hospital or marae.



CIP’S PARTNERS FOR THE RBI2/MBSF PROGRAMMES ARE: *Continued*



Lightwire is a WISP contracted to provide improved rural broadband services in the Waikato and Bay of Plenty regions.

End Users* contracted	682
End Users completed	396
% complete	58%



NZ Technology Group is a WISP contracted to provide improved rural broadband services in central Hawke’s Bay.

End Users contracted	275
End Users completed	71
% complete	26%



Unifone is a WISP contracted to provide improved rural broadband services in the Otago region.

End Users contracted	1,168
End Users completed	797
% complete	68%



WIZwireless is a WISP contracted to provide improved rural broadband services in Wairarapa, in the Wellington region.

End Users contracted	733
End Users completed	476
% complete	65%

## CIP’S PARTNERS FOR THE INFRASTRUCTURE FINANCING PROGRAMME ARE:



Auckland Council Group (which includes council-controlled organisations) has worked closely with CIP to establish and implement an alternative financing model in Milldale. Auckland Council contributed to the bulk housing infrastructure that will be met by future developer contributions charged on the future urban-zoned land that surrounds Milldale. Once the construction of these assets in Milldale is complete, these will vest to the Council. The Council also acts as the Milldale infrastructure payment collection agent through its Council rates invoicing process.



Fulton Hogan Land Development Ltd (FHL) is an experienced developer that is completing residential sections in New Zealand as well as sites for pre-schools, schools, neighbourhood centres and other amenities typically found in large-scale greenfield developments. FHL is developing the Milldale area and will be constructing the bulk housing infrastructure financed through CIP’s Special Purpose Vehicle.



The Accident Compensation Corporation’s (ACC’s) investment portfolio exists to support the administration of the country’s universal no-fault accidental injury scheme. ACC was the successful bidder in a competitive debt process run by CIP. ACC contributed to the fixed rate, long-term debt towards the infrastructure required to unlock the Milldale development (financed by CIP’s Special Purpose Vehicle).



Primo Wireless is a WISP contracted to provide improved rural broadband services in the Taranaki region.

End Users contracted	653
End Users completed	372
% complete	57%



thepacific.net is a WISP contracted to provide improved rural broadband services in the Nelson, Tasman and Marlborough regions.

End Users contracted	773
End Users completed	277
% complete	36%



VelocityNet is a WISP contracted to provide improved rural broadband services in the Southland region.

End Users contracted	592
Yet to hand over covered households and businesses.	



Zelan is a WISP contracted to provide improved rural broadband services in the Buller and Grey Districts.

End Users contracted	386
End Users completed	41
% complete	11%

## CIP’S PARTNERS FOR THE MARAE DIGITAL CONNECTIVITY PROGRAMME ARE:



Te Puni Kōkiri is managing the application process and engagement with marae communities and hapū, as well as general communication on the marae digital connectivity programme.



Spark is responsible for installing broadband and essential hardware and the ongoing service management of the connected marae for the marae digital connectivity programme.

### WIRELESS INTERNET SERVICE PROVIDERS AND SATELLITE PROVIDERS

Regional WISPs and other satellite providers are responsible for installing broadband in marae. CIP is working with the following for this programme of work: Gisborne Net, Gravity, AoNet Broadband, Lightwire, Farmside, Uber, Inspire Net, Primo, Wifi Connect and Evolution Networks.



The Provincial Development Unit is responsible for policy and fund management for the marae digital connectivity programme.



Fire and Emergency New Zealand is the fire safety advisor and is also responsible for sensor installations in marae for the marae digital connectivity programme.

\* An End User is a household, business, school, hospital or marae.



# 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 for policy, the Treasury ownership monitoring team and shareholding Ministers. CIP also works closely with relevant portfolio agencies. CIP's aim is to implement Government policy, rather than make a financial return, by implementing the Government's objectives in relation to:

- UFB policy - 86% population coverage;
- the RBI2/MBSF programmes covering rural households and businesses, State Highways and Tourism areas;
- the PGF Digital Connectivity Objectives;
- the national Public Safety Network programme;
- infrastructure financing for bulk housing and other classes of infrastructure;
- the Government's construction-ready funding response to COVID-19; and
- providing assistance with the Government's three waters reform programme.

Accordingly, CIP has designated itself 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 provided for in the Constitution are to:

- implement the Government's objectives in relation to improving the performance and availability of, and access to, UFB, rural broadband and mobile voice and data coverage, telecommunications backhaul and digital equipment by co-investing with, purchasing from or

making grants to private sector participants in order to deploy telecommunications network infrastructure and/or procure the delivery of telecommunications services;

- implement and/or facilitate the funding and financing of infrastructure, including as provided for under the IFF Act, to achieve the Government's objectives for the provision of infrastructure for housing and urban development, and the provision of other eligible infrastructure in accordance with the IFF Act;
- act as delivery partner for the Government's programme to provide national public safety communications capability, to enable the safe and effective provision of emergency services across New Zealand, including by managing the procurement and delivery of radio and cellular network infrastructure and services;
- assist the Government's response to the COVID-19 pandemic by providing assistance to the IRG, and implementing, facilitating or otherwise assisting the Government with any transaction(s), or assisting with any other matter in relation to any projects selected for Government support (as agreed from time to time between CIP and its shareholding Ministers); and
- assist with the Government's three waters reform programme by providing oversight in relation to delivery plans prepared and carried out by local and regional authorities, and providing other assistance as required, including supporting infrastructure deployment (as agreed from time to time between CIP and its shareholding Ministers).

## BOARD OF DIRECTORS

The Board has established strategic policy, guides and monitors the business and affairs of CIP and is committed to a high standard of corporate governance. Responsibility for the operation and administration of CIP 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 five non-executive Directors. Three Directors retired during the financial year and three new Directors were appointed. The Directors' profiles can be read on page 28 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 (the **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 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 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 Mark Binns** (Chair) was appointed a Director of the Company on 1 June 2018 and Chair on 1 March 2020. His career has seen him involved in many of New Zealand's largest infrastructure projects, including the Wiri Prison public-private partnership, the Waterview Connection, Eden Park, SKYCITY, the Museum of New Zealand Te Papa Tongarewa and the Manapōuri trail race tunnel. For 22 years Mark worked at Fletcher Building and its predecessor, Fletcher Challenge Limited. Mark was Chief Executive of Meridian Energy Limited from 2012 to 2017 and is also a former Chief Executive of the Infrastructure Division of Fletcher Building Limited. Mark is a qualified lawyer. He is currently a Director of Auckland International Airport, Metlifecare Limited and Te Pūia Tāpapa, and a trustee of Auckland War Memorial Museum and a number of other private companies.

**Ms Danelle Dinsdale** had 14 years' experience in the United Kingdom with global law firm DLA Piper, where she was a senior partner working as Head of IT and Telecoms. She 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. She also serves on the Board of Medical Assurance Society New Zealand Limited and its subsidiaries.

**Mr Chris Gudgeon** has been involved in property investment, development and construction in New Zealand for more than 25 years. He was previously Chief Executive of Kiwi Property Group and Capital Properties NZ Ltd. He is a Director of Argosy Property, a Fellow of the Royal Institute of Chartered Surveyors and a past President of Property Council New Zealand.

**Mr Kerry Knight** was a founding shareholder in Equinox in 1988 where he now works. He was also a partner in Auckland legal firm Knight Coldcutt for over 25 years and now practices as a barrister. Kerry's interests have been focused on business and property law and he has been involved from a legal and financing perspective with some of New Zealand's largest property transactions.

**Ms Bella Takiari-Brame** is a chartered accountant and has worked in the oil, gas and utilities industries. She has a wealth of global market understanding and governance expertise. She is currently a Director of The Lines Company, a member of Te Wānanga o Aotearoa Council, an independent member of the Group Audit and Risk Committee of Waikato Tainui, a trustee of the Maniapoto Māori Trust Board, an independent Director of Braemar Hospital and a current Director of Te Ohu Kai Moana Trustee Limited, including Chair of the Audit and Risk Committee and Director of Te Ohu's Portfolio Management Services Limited.

**Simon Allen** — Previously Chair - Retired from the CIP Board on 29 February 2020.

**Ms Miriam Dean** — Retired from the CIP Board on 29 February 2020.

**Mr Keith Tempest** — Retired from the CIP Board on 30 April 2020.

## REMUNERATION COMMITTEE

Ms Danelle Dinsdale (Chair) and Mr Mark Binns. Prior to February 2020: Ms Miriam Dean (Chair) and Mr Simon Allen.

## AUDIT AND RISK COMMITTEE

Ms Bella Takiari-Brame (Chair), Mr Chris Gudgeon, Mr Mark Binns. (Prior to April 2020, Mr Keith Tempest (Chair), Ms Danelle Dinsdale, and prior to February 2020 Mr Simon Allen.)

	2019/20		2018/2019	
	No. of regular meetings attended	No. of special meetings attended	No. of regular meetings attended	No. of special meetings attended
<b>DIRECTORS</b>				
Simon Allen <sup>1</sup>	7	0	11	1
Mark Binns	11	0	9	1
Miriam Dean <sup>1</sup>	7	0	11	1
Danelle Dinsdale	11	0	11	1
Chris Gudgeon <sup>3</sup> 1 Oct 2019	8	0		
Kerry Knight <sup>3</sup> 1 Oct 2019	8	0		
Bella Takiari-Brame <sup>4</sup> 16 Mar 2020	3	0		
Keith Tempest <sup>2</sup>	9	0	11	1

# CIP AS A GOOD EMPLOYER

## CIP's purpose is to partner with the private and local government sectors to deliver infrastructure to improve the lives of New Zealanders.

CIP places high importance on attracting and retaining an engaged, high-performing workforce to deliver on the Government's infrastructure programmes that CIP is funding. To support these objectives, CIP has put in place policies and practices that comply with the Government's expectations of employment relations and the principles of being a good employer. These policies support CIP's focus on creating and supporting a positive working environment that values diversity and provides equal employment opportunities.

## CULTURE, PURPOSE AND WORKING ENVIRONMENT

CIP has a highly engaged and purpose-driven team. CIP completed its annual employee engagement survey in June, with 100% participation. Mean engagement has remained steady since last year, placing CIP at the 89th percentile against New Zealand organisations, at the 90th percentile of the New Zealand public sector and in the 82nd percentile of organisations globally.

CIP prides itself on providing an inclusive, positive working environment that values diversity and supports flexible working arrangements. This is supported by CIP's Inclusion, Diversity and Equal Employment Opportunities policy, and Health and Wellbeing policy.

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

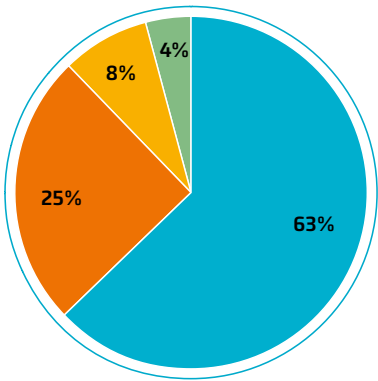
## SAFE AND HEALTHY ENVIRONMENT

CIP continues to manage its health and safety management system and has adapted the system to cover the wellness of employees. CIP has developed a number of new procedures with a focus being the COVID-19 response. The central idea is remote working and working from home.

All staff have undertaken online ergonomic self-assessments. Precautionary measures have been set up within the CIP office environment to maintain social distancing. Additional cleaning products for computer workstations and meeting rooms have been provided. CIP has also introduced online meetings.

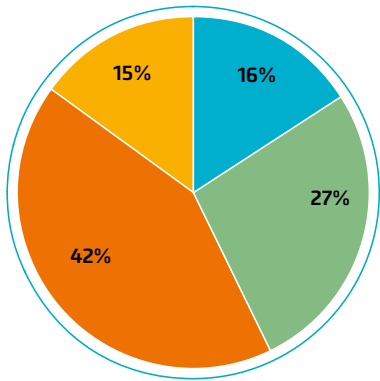
Some delivery partners were awarded essential service provider status during the COVID-19 lockdown, which allowed them to remain working while following strict health and safety guidelines from the Ministry of Health.

CIP oversees the health and safety of telecommunications delivery partners to ensure that a high standard of care is applied to workers involved with the deployment of infrastructure, keeping workers safe from harm or injury.



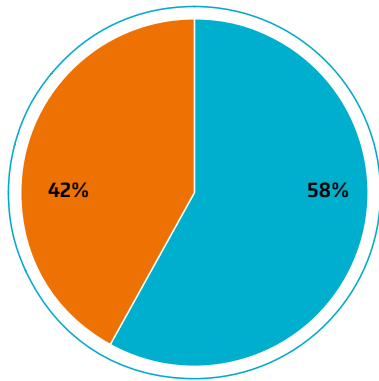
### ETHNICITY IN THE WORKPLACE

- EUROPEAN
- ASIAN
- MĀORI
- MIDDLE EASTERN, LATIN AMERICAN, AFRICAN



### LENGTH OF SERVICE

- LESS THAN A YEAR
- 1-2 YEARS
- 2-5 YEARS
- 5-10 YEARS
- 10+ YEARS



### GENDER BALANCE

- MEN
- WOMEN

1 Retired 29 February 2020  
2 Retired 30 April 2020  
3 Commenced 1 October 2019  
4 Commenced 16 March 2020



# STATEMENT OF PERFORMANCE

CIP's performance targets for the fiscal year 2020 relate to UFB deployment, progress of RBI2/MBSF initiatives, UFB installation, PGF Digital Connectivity progress, Infrastructure Financing, and financial and operational efficiency. For reporting against revenue and expense targets, see note 20.

### 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 delivery partners have satisfactorily met their contractual obligations for deployment and operations.

Under the deployment contracts, CIP funds partners on the basis of premises<sup>1</sup> passed for UFB and End Users<sup>2</sup> for rural broadband.

Figure 1 outlines financial and operational efficiency based on CIP's funding for UFB premises, UFB End Users and RBI2 End Users covered and CIP's operational costs to funds deployed.

Figure 1: Performance targets for financial and operational efficiency

FINANCIAL YEAR		2019/2020		
		Actual	Plan	% to plan
1	FUNDING PER UFB PREMISES HANDED OVER	\$1,304	\$1,369	95%
2	FUNDING PER END USER (A HOUSEHOLD OR A BUSINESS) ABLE TO CONNECT TO UFB	\$1,145	\$1,190	96%
3	FUNDING PER RURAL BROADBAND END USER HANDED OVER	\$1,206	\$3,099	39% <sup>3</sup>
4	CIP OPERATIONAL COST AS PERCENTAGE OF ANNUAL INVESTMENT/GRANTS	4.9%	5.0%	98%

### SUCCESSFUL AND TIMELY DEPLOYMENT OF UFB AND RBI2/MBSF

This measures the partners' overall performance in meeting their contractual deployment targets. CIP also measures the number of End Users capable of connection to UFB, as in figure 2.

CIP's performance in terms of the number of RBI2 End Users able to receive improved broadband is based on the number of rural households and businesses handed over by partners. CIP's performance in terms of mobile coverage for State Highways in kilometres and Tourism sites covered is also shown in figure 2. It is especially pleasing to have achieved this increased coverage in rural areas, particularly given the disruption of COVID-19.

Figure 2: UFB, RBI2/MBSF deployment

FINANCIAL YEAR		2019/2020		
		Actual	Plan	% to plan
1	NUMBER OF UFB PREMISES HANDED OVER BY PARTNERS TO CIP OR THE APPLICABLE LFC UNDER UFB (000'S) <sup>4</sup>	1,312	1,292	102%
2	THE NUMBER OF BROADBAND END USERS (SUCH AS HOUSEHOLDS AND BUSINESSES) ABLE TO CONNECT TO UFB (000'S)	1,678	1,656	101%
3	PERCENTAGE OF POPULATION WITH ACCESS TO UFB	83%	80%	104%
4	RURAL END USERS TO RECEIVE IMPROVED BROADBAND	51,904	54,075	96%
5	MOBILE BLACK SPOT TOURIST SITES COVERED	50	52	96%
6	MOBILE BLACK SPOT HIGHWAY KILOMETRES COVERED	629	608	103%
7	POPULATION PERCENTAGE RECEIVING IMPROVED RURAL BROADBAND	2.1%	2.2%	95%

### TIME TO CONNECT AND END USER SATISFACTION

The measures in figure 3 are used to assess End User customer satisfaction with the UFB installation process, in addition to the service-level performance outlined on page 34.

The overall average days to connect to UFB for a residential single dwelling unit (essentially, a typical New Zealand household), a business premises, multi-dwelling units and on premises' rights of way is shown below. It includes all classes of installation. The improvement in average days to connect by two days from 24 days in 2018/19 is particularly pleasing given the increased demand for UFB connections during the year. Installation satisfaction of 80% has increased from 77% in 2018/19.

Figure 3: UFB installation measures

FINANCIAL YEAR		2019/2020		
		Actual	Plan	% to plan
1	UFB: AVERAGE DAYS TO PROVISION A UFB WHOLESALE SERVICE	22	<30 days	136%
2	UFB: END USER SATISFACTION WITH UFB INSTALLATION	80%	>77%	104%

1. 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 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.

2. An End User (EU) is a household, business, school, hospital or marae.

3. The mix of 'Eligible End Users (EEUs)' has created this variance. There were more commercial EEUs handed over earlier than forecast; these have no cost to CIP. The proportion of WISP EEUs to RCG EEUs was greater than forecast and the WISP EEUs are less costly than the RCG ones. The RCG towers, owing to the nature of the programme, are easier to access and as a general rule less expensive to build, meaning the RCG EEUs cost less than the WISP EEUs.

4. 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 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.



STATEMENT OF PERFORMANCE: *Continued*

PROVINCIAL GROWTH FUND MARAE PROVISIONING AND FIBRE LINK PROGRESS

The measures in figure 4 track CIP's progress towards the achievement of the PGF marae digital connectivity programme objectives by measuring the timely provisioning of services.

CIP's performance is based on the number of marae that are capable of being connected to broadband that are provisioned for broadband service and have all required hardware in place within 60 working days of receiving an approved order from the Provincial Development Unit. This measure applies from the date the service provider procurement contracts are in place.

The PGF fibre link progress in figure 4 measures CIP's performance in achieving the fibre links being tendered, contracts awarded and construction being underway. It is measured on the basis of milestones achieved under the contract with the partner deploying the fibre links.

Figure 4: Marae and fibre link installation measures

FINANCIAL YEAR		2019/2020		
		Actual	Plan	% to plan
1	PGF: TIME TO CONNECT MARAE CAPABLE OF CONNECTION	48	<60 days	126%
2	FIBRE LINKS (HAAST AND MILFORD) CONTRACT AWARDED AND DEPLOYMENT ON PLAN FOR COMPLETION BY END OF 2020/21	On track	On track to achieve 2020/21 completion	100%

CIP'S PERFORMANCE TARGETS FOR INFRASTRUCTURE FINANCING OBJECTIVE

CIP's performance in terms of establishing a pipeline of accelerated infrastructure projects that will benefit from infrastructure financing from fiscal 2021 and beyond was achieved. This will be measured on the production of an objectively verifiable set of projects (see figure 5).

Some of these will have a reasonable likelihood of being successfully achieved from fiscal 2021 and beyond.

Figure 5: Contractual measures for the Infrastructure Financing objective

FINANCIAL YEAR		2019/2020		
		Actual	Plan	% to plan
1	TWO FEASIBLE INFRASTRUCTURE PROJECTS IDENTIFIED FOR FINANCING UNDER LEGISLATIVE MODEL	Achieved	By end of fiscal 2020	100%
2	PIPELINE ESTABLISHED FOR FEASIBLE PROJECTS WHERE INFRASTRUCTURE FINANCING CAN BE UTILISED FOR FISCAL YEAR 2021 AND BEYOND	Achieved	By end of fiscal 2020	100%





# UFB PARTNERS’ PERFORMANCE TARGETS

### ULTRA-FAST BROADBAND PARTNERS’ PERFORMANCE TARGETS

CIP monitors the performance of the LFCs and Chorus in connecting new End Users to the UFB network, 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.

#### Provisioning<sup>1</sup> performance per End User as reported by Local Fibre Companies 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	95%	95%
ENL	94%	97%
NFL	93%	96%
UFF	94%	96%
TOTAL	94%	96%

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 for provisioning is agreed with the RSP or the End User. Both residential and business SLAs were stable compared to 2018/19, despite a significant uplift in volumes.

#### Maximum downtime performance per End User as reported by Local Fibre Companies and Chorus

MEASURE	RESTORATION	TARGET	FAULTS REPAIRED WITHIN TARGET
LAYER 2 <sup>2</sup> PERFORMANCE	Residential and business	<12 hours	99.89%
LAYER 1 <sup>3</sup> PERFORMANCE	Residential and business	<48 hours	99.87%

**Layer 2 performance per End User:** Measures the number of Layer 2 faults repaired in compliance with the SLA. LFCs and Chorus reported that 99.89% 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:** Measure represents the number of Layer 1 network faults repaired in compliance with the SLA. LFCs and Chorus reported that 99.87% of Layer 1 connection faults met the default restoration service levels.

1. Provisioning means the installation and activation of a UFB service for an End User.  
2. Layer 2 of the Open Systems Interconnection (OSI) Model, associated with active fibre optic network infrastructure.  
3. Layer 1 of the OSI Model, associated with passive fibre optic network infrastructure.

#### Average downtime across eligible Candidate Areas as reported by Local Fibre Companies and Chorus

UFB PARTNER	LAYER 2 AVERAGE NETWORK PERFORMANCE ACROSS ELIGIBLE CANDIDATE AREAS <sup>4</sup>		LAYER 1 AVERAGE NETWORK PERFORMANCE ACROSS ELIGIBLE CANDIDATE AREAS	
	Target <30 minutes (99.994%)		Target <120 minutes (99.980%)	
CHORUS	00:00:49 min	100.000%	00:39:29 min	99.992%
ENL	00:04:13 min	99.999%	00:16:51 min	99.997%
NFL	00:02:47 min	99.999%	00:07:27 min	99.999%
UFF	00:09:51 min	99.998%	00:19:46 min	99.996%

**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.

**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.

### RB12/MBSF PARTNERS’ PERFORMANCE TARGETS

CIP monitors the performance of the RCG and the WISPs partnered with the company, in minimum service and speeds provided as well as operational availability. Performance is measured against set SLAs.

#### Performance targets for Rural Broadband Initiative phase 2/Mobile Black Spots Fund programme service performance

MEASURE	TARGET	PERFORMANCE
MINIMUM SERVICE	90% or more of all Eligible End Users must receive Rural Broadband Retail Services at the Minimum Speeds or greater, measured across a rolling 12-month period	Satisfied
OPERATIONAL AVAILABILITY	Rural Broadband Retail Services must have an Average Availability to all Eligible End Users who receive such services on a Grant Funded Network of 99.9% of the time, measured across a 12-month rolling period	Satisfied

4. An eligible Candidate Area is one of the 33 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 2020

**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 2020.

Signed on behalf of the Board.



Mark Binns  
Chair

5 November 2020



Bella Takiari-Brame  
Director

5 November 2020





# AUDIT NEW ZEALAND

Mana Arotake Aotearoa

# INDEPENDENT AUDITOR'S REPORT

## TO THE READERS OF CROWN INFRASTRUCTURE PARTNERS LIMITED GROUP'S CONSOLIDATED FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 30 JUNE 2020

The Auditor-General is the auditor of Crown Infrastructure Partners Limited and its controlled entities (collectively referred to as "the Group"). 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 Group on his behalf.

### OPINION

#### We have audited:

- the financial statements of the Group on pages 42 to 76, that comprise the statement of financial position as at 30 June 2020, 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 Group on pages 30 to 32.

#### In our opinion:

- the financial statements of the Group on pages 42 to 76:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2020; 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 Standards; and
- the performance information on pages 30 to 32:
  - presents fairly, in all material respects, the Group's performance for the year ended 30 June 2020, 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 5 November 2020. This is the date at which our opinion is expressed.

The basis for our opinion is explained below, and we draw attention to the impact of Covid-19 on the Group. 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.

### EMPHASIS OF MATTER - IMPACT OF COVID-19

Without modifying our opinion, we draw attention to the disclosures about the impact of Covid-19 on the Group as set out in Basis of Preparation of the financial statements on page 46 of the performance information.

### 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 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 Group 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 Group for assessing the Group'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 Group, or there is no realistic alternative but to do so.

The Board of Directors' 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<sup>1</sup>, 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 Group'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 Group'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 Group'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 Group'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 Group 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 obtain sufficient appropriate audit evidence regarding the financial statements and the performance information of the entities or business activities within the Group to express an opinion on the consolidated financial statements and the consolidated performance information. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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 29, 34 to 37 and 77, 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 Group in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: International Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

Other than the audits of the Group and an assurance engagement on the procurement of the public safety network, we have no relationship with or interests in, the Group.

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

<sup>1</sup> Appointed Auditors shall replace "readers" with an equivalent addressee such as "shareholders" where an actual private sector ownership interest exists or where a private sector ownership interest is anticipated.





# FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020



## CONSOLIDATED STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

FOR THE YEAR ENDED 30 JUNE 2020

	Notes	2020 <sup>1</sup> \$000	2019 \$000
Income			
Interest income <sup>2</sup>	6	36,364	28,632
Miscellaneous income	6	319	1,227
Grant Income	2	46,780	17,737
Fair value gains/(losses) on FVTSD <sup>3</sup> investments	4,12	736	37,286
Net fair value gains on derivatives	4,12	4,068	-
Gain on sale of investments in LFC(s) <sup>4</sup>	4	120	143
<b>Total income</b>		<b>88,387</b>	<b>85,025</b>
<b>Expenses</b>			
Finance costs	3	998	206
Directors' fees	7	218	201
Personnel costs	8	5,842	4,868
Depreciation expense	5	72	57
Professional advisory fees	9	3,976	3,586
Other expenses	10	3,097	2,679
Grant Expense	4	58,862	16,237
Non-grant project expenses	4	8,247	648
UFB contribution - Chorus Equity Securities	4,12	54,281	78,380
UFB contribution - Chorus Debt Securities	4,12	7,370	24,880
UFB contribution - LFC loans	4,12	(2,264)	7,154
Net fair value losses on derivatives	4,12	-	257
<b>Total expenses</b>		<b>140,699</b>	<b>139,153</b>
<b>Surplus/(deficit) before tax</b>		<b>(52,312)</b>	<b>(54,128)</b>
Tax expense/(credit)	11	-	-
<b>Net surplus/(deficit)</b>		<b>(52,312)</b>	<b>(54,128)</b>
Other comprehensive revenue and expense		-	-
<b>Total comprehensive revenue and expense</b>		<b>(52,312)</b>	<b>(54,128)</b>

<sup>1</sup> Budget figures and explanations of major variances against the budget are detailed in note 19.<sup>2</sup> Includes imputed interest and bank interest on deposits.<sup>3</sup> Fair value through surplus or deficit.<sup>4</sup> Local Fibre Company.

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

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2020

	Notes	2020 <sup>1</sup> \$000	2019 \$000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		76,998	137,364
Trade and other receivables		7,386	25,064
Loans to LFCs	4	155,408	-
GST receivables		2,165	532
Prepayments		26	58
<b>Total current assets</b>		<b>241,983</b>	<b>163,018</b>
<b>Non-current assets</b>			
Fibre network assets	17	2,940	
Other property, plant and equipment	5	162	130
Investments in Bulk Housing Projects	4	34,433	9,331
Investments in LFC(s) Equity	4	14,420	15,007
Investments in Chorus Equity Securities	4	267,256	226,061
Investments in Chorus Debt Securities	4	270,548	242,170
Loans to LFCs	4	7,510	154,224
<b>Total non-current assets</b>		<b>597,269</b>	<b>646,923</b>
<b>Total assets</b>		<b>839,252</b>	<b>809,941</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Creditors and other payables	14	43,667	71,217
Employee entitlements		844	747
<b>Total current liabilities</b>		<b>44,511</b>	<b>71,964</b>
<b>Non-current liabilities</b>			
Borrowings	3	20,956	5,880
<b>Total non-current liabilities</b>		<b>20,956</b>	<b>5,880</b>
<b>Total liabilities</b>		<b>65,467</b>	<b>77,844</b>
<b>Net assets</b>		<b>776,785</b>	<b>732,097</b>
Contributed capital	16	1,431,900	1,334,900
Retained earnings		(655,115)	(602,803)
<b>Total equity</b>		<b>776,785</b>	<b>732,097</b>

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

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



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2020

	Capital \$000	Retained earnings \$000	Total \$000
<b>Opening balance 1 July 2018</b>	<b>1,072,900</b>	<b>(548,675)</b>	<b>524,225</b>
<b>Comprehensive income</b>			
Net surplus/(deficit)	-	(54,128)	(54,128)
<i>Total comprehensive revenue and expense</i>	-	(54,128)	(54,128)
<b>Owners' transactions</b>			
Capital contribution - Crown (note 16)	262,000	-	262,000
<b>Closing balance 30 June 2019</b>	<b>1,334,900</b>	<b>(602,803)</b>	<b>732,097</b>
<b>Opening balance 1 July 2019</b>	<b>1,334,900</b>	<b>(602,803)</b>	<b>732,097</b>
<b>Comprehensive income</b>			
Net surplus/(deficit) <sup>1</sup>	-	(52,312)	(52,312)
<i>Total comprehensive revenue and expense</i>	-	(52,312)	(52,312)
<b>Owners' transactions</b>			
Capital contribution - Crown (note 16) <sup>2</sup>	97,000	-	97,000
<b>Closing balance 30 June 2020</b>	<b>1,431,900</b>	<b>(655,115)</b>	<b>776,785</b>

<sup>1</sup> Budget figures and explanations of major variances against the budget are detailed in note 19.<sup>2</sup> Capital Contribution made in CIP is represented by 1,431,900,200 ordinary shares issued at a value of \$1.00. For fiscal 2020, CIP made a total of \$97m capital calls. However, the cash received during fiscal 2020 was \$115m, being \$25m from fiscal 2019 and \$7m will be paid in fiscal 2021.

## CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2020

	Notes	2020 <sup>1</sup> \$000	2019 \$000
<b>Cash flows from operating activities</b>			
Interest received		1,395	1,620
Grants received		46,780	17,737
Payments to suppliers		(8,011)	(9,206)
Payments to employees		(5,584)	(4,795)
Grant payments		(36,979)	(15,143)
Non-grant project expenses		(5,355)	(648)
Goods and services tax (net)		(1,682)	(120)
<b>Net cash outflow from operating activities</b>	<b>13</b>	<b>(9,436)</b>	<b>(10,555)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(161)	(12)
Acquisition of investments in Chorus Equity Securities		(119,222)	(109,970)
Acquisition of investments in Chorus Debt Securities		(36,488)	(50,074)
Acquisition of investment in CCHL loan		(5,592)	(4,206)
Acquisition of investment in NFL2 loan		(5,891)	(4,767)
Proceeds from sale of investments in LFC Equity		707	843
Acquisition of investments in bulk housing projects		(14,322)	(7,993)
Payments received from investment in bulk housing projects		481	-
<b>Net cash outflow from investing activities</b>		<b>(180,488)</b>	<b>(176,179)</b>
<b>Cash flows from financing activities</b>			
Capital contribution - Crown <sup>2</sup>	<b>16</b>	115,000	282,000
Proceeds from borrowings		15,414	8,132
Interest paid		(856)	(111)
<b>Net cash inflow from financing activities</b>		<b>129,558</b>	<b>290,021</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(60,366)</b>	<b>103,287</b>
Cash and cash equivalents at the beginning of the year		137,364	34,077
<b>Cash and cash equivalents at the end of the year</b>		<b>76,998</b>	<b>137,364</b>

<sup>1</sup> Budget figures and explanations of major variances against the budget are detailed in note 19.<sup>2</sup> Capital Contribution made in CIP is represented by 1,431,900,200 ordinary shares issued at a value of \$1.00. For fiscal 2020, CIP made a total of \$97m capital calls. However, the cash received during fiscal 2020 was \$115m, being \$25m from fiscal 2019 and \$7m will be paid in fiscal 2021.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

## 1. STATEMENT OF ACCOUNTING POLICIES

### REPORTING ENTITY

The reporting entity is Crown Infrastructure Partners Limited ('CIP', 'the Parent' and 'the Company') and its controlled subsidiaries ('the Group'). At 30 June 2020 and 30 June 2019 the controlled entities were Milldale Holdco GP Limited, Milldale Infrastructure GP Limited, Milldale Holdco LP, Milldale Infrastructure LP, and CIP Services Limited, which are 100% controlled. These controlled entities were established in September 2018 to facilitate accelerated development of bulk housing infrastructure for the Milldale development located at Wainui, Auckland.

The key purpose and objectives of CIP are to implement the Government's Ultra-Fast Broadband (UFB)1 policy (the UFB Objective), the Rural Broadband Initiative extension and Mobile Black Spot Fund programme (the RBI2/MBSF Objective) and the Regional Digital Connectivity Objective, to support the Next Generation Critical Communications programme (the NGCC Objective) and to undertake infrastructure financing for bulk housing and other classes of eligible infrastructure (the Infrastructure Financing Objective). The CIP Group accounts include the direct investments in Chorus, Christchurch City Holdings Limited (CCHL) and Northpower Fibre Limited 2 (NFL2), and the investment in joint venture Northpower Fibre Limited (NFL), and consolidate the results of the operations of CIP and each controlled entity (from the date of acquisition or establishment 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 consolidated financial statements of CIP are for the year ended 30 June 2020 and were approved by the Board of Directors on 5 November 2020.

### STATEMENT OF COMPLIANCE

The financial statements of 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 Directors have considered the impact of COVID-19 on the Group and have determined that the use of the going concern basis of accounting continues to be appropriate. While there were some project delays during the New Zealand lockdown period, all projects are continuing and there are not expected to be any significant delays in the cash flows from the Group's investments. The Directors consider that the Group will continue to have sufficient resources, access to unpaid share capital, and Crown Grant Funding to pay its debts as they fall due for the foreseeable future, which is not less than 12 months from the date that these financial statements are approved.

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 CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

## 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.

#### Adoption of new and amended financial reporting standards

The Group has adopted all mandatory new and amended standards and interpretations, which have not had any material impact on the financial statements of the Group. In the current period the Group adopted PBE IPSAS 34 Separate Financial Statements, PBE IPSAS 35 Consolidated Financial Statements, PBE IPSAS 36 Investments in Associates and Joint Ventures, PBE IPSAS 37 Joint Arrangements, PBE IPSAS 38 Disclosure of Interests in Other Entities, PBE IPSAS 39 Employee Benefits, and 2018 Omnibus Amendments to PBE Standards.

PBE IPSAS 35 introduces a single basis for consolidation (being control) for all entities regardless of the nature of the investee. Initial application of PBE IPSAS 35 did not change the Group's identification of subsidiaries. PBE IPSAS 37 classifies joint arrangements as either joint operations or joint ventures. Joint operators are required to recognise assets, liabilities, revenue and expenses in relation to their proportionate interest in the joint operation whereas joint ventures are required to be accounted for using the equity method. The Group has classified its interests in NFL as a joint venture. The Group will continue to recognise its investment in NFL using the equity method in accordance with PBE IPSAS 37 and PBE IPSAS 36. PBE IPSAS 38 introduces new disclosure requirements which enable readers to understand the nature of and risks associated with its interests in other entities.

Standards and amendments, issued but not yet effective, that have not been early adopted and relevant to the Group are:

- PBE IPSAS 39 *Employee Benefits* replaces the previous version of PBE IPSAS 39 (effective for reporting periods beginning on or after 1 January 2019) and is effective for reporting periods beginning on or after 1 January 2021, with early adoption permitted. The Group does not intend to early adopt the standard; and
- PBE IPSAS 41 *Financial Instruments* replaces PBE IPSAS 29 Financial Instruments: Recognition and Measurement and PBE IFRS 9 *Financial Instruments* and is effective for financial years beginning on or after 1 January 2022, with early adoption permitted. The Group does not intend to early adopt the standard.

The main changes compared to PBE IPSAS 29 that are relevant to the Group are:

- New financial asset classification requirements for determining whether an asset is measured at fair value or amortised cost; and
- A new impairment model for financial assets based on expected losses, which might result in the earlier recognition of impairment losses.

An amendment to PBE IPSAS 2 Statement of Cash Flows requires entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. This amendment is effective for annual periods beginning on or after 1 January 2021, with early adoption permitted. The Group does not intend to early adopt the amendment. The new standard has not been adopted as it is not expected to have a material impact on the recognition or measurement of items in the consolidated financial statements when adopted in the period they become mandatory.

PBE FRS 48 replaces the service performance reporting requirements of PBE IPSAS 1 and is effective for reporting periods beginning on or after 1 January 2021. The Group does not intend to early adopt the standard. The new standard has not been adopted as it is not expected to have a material impact on the recognition or measurement of items in the consolidated financial statements when adopted in the period they become mandatory.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

## 1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

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

### Classification of financial assets and liabilities

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets. Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at Fair Value Through Other Comprehensive Income (FVTOCI):

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are measured subsequently at Fair Value Through Surplus or Deficit (FVTSD).

All of the Group's financial liabilities are measured at amortised cost.

### Impairment of financial assets carried at amortised cost

The Group recognises a loss allowance for expected credit losses on financial assets that are measured at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instruments.

The Group recognises lifetime Expected Credit Losses (ECL) for trade receivables. In assessing impairment for a portfolio of receivables, the Group considers past experience of collecting payments, as well as any 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.

For investments in debt instruments (CCHL, and NFL2 loans) the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

## 1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

The amount of the impairment is the difference between the instrument's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the instrument is reduced by the impairment loss directly for all instruments 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. A receivable is considered to be uncollectible when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings. Changes in the carrying amount of the allowance account are recognised in surplus or deficit.

## 2. COMPOSITION OF THE GROUP

### CONSOLIDATION OF SUBSIDIARIES IN THE GROUP

#### Determining the nature of the interest in the subsidiaries

The Group holds 100% of the shares in Milldale Holdco GP Limited, Milldale Infrastructure GP Limited, and CIP Services Limited and therefore has control over these companies. These companies are treated as subsidiaries in the consolidated financial statements of the Group.

Milldale Holdco GP Limited is the general partner of Milldale Holdco LP. Milldale Infrastructure GP Limited is the general partner of Milldale Infrastructure LP. CIP owns 100% of the limited partnership interest in Milldale Holdco LP, which in turn owns 100% of the limited partnership interest in Milldale Infrastructure LP. CIP has power over the limited partnerships through its ownership of the general partners, exposure to variable benefits through its limited partnership interests, and the ability to use its power to affect the amount of benefits from the limited partnerships through its decision-making rights. Therefore the Group has control over Milldale Holdco LP and Milldale Infrastructure LP. These limited partnerships are treated as subsidiaries in the consolidated financial statements of the Group.

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 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 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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

2. COMPOSITION OF THE GROUP (CONTINUED)

OTHER INVESTMENTS

Determining the nature of the interest in NFL

CIP is considered to have joint control over the investment in NFL because decision making around operation requires approval by both CIP and the Partner. The investment is classified as a joint venture because the investors that have joint control have rights to the net assets of the arrangement. As such, CIP's interest in NFL has been accounted for as a joint venture using the equity method. Under the equity method, an investment in a joint venture is recognised initially in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture. When the Group disposes of a portion of its interest in NFL (e.g. recycling)<sup>1</sup>, it recognises a gain or loss in surplus or deficit for the difference between the fair value of the consideration received and the previous carrying amount of that interest.

The Minister of Finance, acting on behalf of the Crown, also owns one share in NFL (2019: one). This does not give rise to control.

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 joint venture or joint operation), 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, NFL2 and UFF

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

UFF in 2019 had completed UFB build and had handed over 4,517 premises to CIP for payment against UFF's loan facility. UFF subsequently made the decision that they did not wish to make a payment claim relating to the premises handed over, and notified CIP on 2 December 2019. The accrued loan payable has been reversed in the current period. UFF has subsequently been sold by its shareholders.

RELATED PARTY TRANSACTIONS

Significant transactions with government-related entities

During 2020 CIP has been provided with \$97 million in funding from the Crown, of which \$90 million was received in cash and \$7 million was receivable at 30 June 2020 (2019: \$262 million, of which \$237 million was received in cash and \$25 million was receivable at 30 June 2019) for specific purposes, as set out in its founding legislation and the scope of the relevant Government appropriations.

During 2020 CIP was also provided with \$46.8 million in grant income from the Crown for the Rural Broadband Initiative Phase Two (RBI2) and the Mobile Black Spot Fund (MBSF) programme, and the Regional Digital Connectivity programme funded through the Provincial Growth Fund (PGF) (2019: \$17.7 million).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

2. COMPOSITION OF THE GROUP (CONTINUED)

Other transactions with government-related entities

In conducting its activities, the Group is required to pay various taxes and levies (such as 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 and its subsidiaries are exempt from paying income tax.

The Group enters 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 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.

3. BORROWINGS

Milldale Infrastructure LP, a subsidiary of CIP, has entered into an agreement with ACC to borrow up to \$60 million for a 35-year period at a fixed interest rate of 5.37%. The funds obtained from the borrowings are provided to the developer of the Milldale Bulk Housing Project (see note 4 for information about the BHI investment asset). The borrowings are secured over the bulk housing infrastructure (BHI) cash inflows, with recourse to the development lot owners through an encumbrance on the land. There is no recourse or guarantee provided by either CIP or the Crown for the borrowings.

During the construction phase of the development, the interest on the borrowings is funded through further drawdowns on the facility. Repayments of principal begin in the financial year ending 30 June 2027.

Borrowings

	2020 \$000	2019 \$000
Principal	23,548	8,132
Unamortised transaction costs	(2,592)	(2,252)
Net carrying amount borrowings	20,956	5,880

Finance costs

	2020 \$000	2019 \$000
Effective interest on borrowings	910	111
Other finance charges	88	95
Total finance costs	998	206

Reconciliation of carrying amount of borrowings

	2020 \$000	2019 \$000
Opening balance	5,880	-
Drawdowns	15,414	8,132
Payment of upfront fees and commitment fees	(392)	(2,252)
Interest expense	910	111
Payments of principal and interest	(856)	(111)
Closing balance	20,956	5,880

Accounting policies

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs and included in the effective interest rate. Periodic commitment fees on the undrawn portion of the facility are also included in the effective interest rate of the loan if the loan is expected to be drawn down.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

4. INVESTMENTS

The structures of investments for the remaining LFC (NFL), Chorus, CCHL and NFL2 investment are described below.

INVESTMENT IN NFL

NFL is the only remaining investment in an LFC. NFL, a New Zealand domiciled company, completed the UFB network deployment in Whāngārei and sells wholesale fibre services to retail service providers.

Prior to 1 July 2017 CIP was considered to have control of NFL and the investment was carried at fair value. From 1 July 2017 CIP has joint control of NFL and has accounted for the investment under the equity method. The investment is currently carried at \$17,420,000.

Summarised financial information of the joint venture at 30 June 2020 is set out below:

	2020 \$000	2019 \$000
Cash and cash equivalents	3,363	2,399
Other current assets	1,417	1,747
Total current assets	4,780	4,146
Non-current assets	44,580	44,185
Current liabilities	1,859	2,450
Non-current liabilities	595	-
Net assets	46,906	45,881
Revenue	11,982	8,461
Depreciation expense	(2,598)	(2,512)
Tax expense	(1,005)	(661)
Total comprehensive revenue and expense	2,582	1,698
<b>Reconciliation to equity accounted carrying amount</b>		
Joint venture's net assets	46,906	45,881
Group's share	30%	33%
Equity accounted carrying amount	17,420	15,141

NFL prepares its financial statements in accordance with NZ IFRS RDR. 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.

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

	2020 # \$000	2019 # \$000
A shares held by CIP	17,433	18,140
A shares held by Partner	8,868	8,161
Total A shares <sup>1</sup>	26,301	26,301
B shares held by Partner	31,675	29,239
Total number of shares	57,976	55,540
<b>CIP interest in total number of shares (%)</b>	<b>30%</b>	<b>33%</b>
<b>CIP interest in total number of voting (A) shares (%)</b>	<b>66%</b>	<b>69%</b>

<sup>1</sup> A shares have voting rights, but are not eligible for dividends, and B shares have no voting rights but are eligible for dividends. Both classes of share convert to ordinary shares on 13 December 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

CIP's investment

CIP's level of investment in the LFC(s) has been driven by the deployment plans. As each stage of a plan is completed by the Partner, the LFC purchases the UFB network from the Partner by paying it an agreed Cost Per Premises Passed (CPPP)<sup>2</sup> for the number of premises that have successfully completed User Acceptance Testing (UAT) for the stage. For UFB expansion, UFB2, the funding of UFB network from the Partner is funded by way of loans from CIP, rather than A shares, determined by the applicable CPPP. CIP recognised a loan to UFF as an investment in 2019, as UFF handed over premises for payment under the loan agreement. Subsequently, on 2 December 2019 UFF notified CIP that they were not going to take up the loan funding and the loan has been derecognised in the current period.

Any difference on initial recognition between the fair value of the investment (in an LFC, Chorus, CCHL, UFF 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 Group has:

- recognised the UFB contribution as a form of government grant. A government grant is recognised when the other party (e.g. Chorus, CCHL, UFF, NFL2 or the LFCs) meets the criteria to receive the grant. This is reflected in the UFB contribution line 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, UFF or NFL2 loans).

The judgement used in componentising the transactions in this way affects the amount of UFB contribution 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.

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 through sale of shares.

Accounting policies

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. The investment in NFL was initially recognised at cost, 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 by the Partner.

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.

<sup>2</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 CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

### 4. INVESTMENTS (CONTINUED)

#### INVESTMENTS IN CHORUS, CCHL, UFF AND NFL2

The Group's investments in Chorus Equity and Debt Securities are carried at fair value. The investments in Chorus Equity and Debt Securities are set out below:

	Chorus Equity Warrants \$000	Chorus Equity Securities \$000	Chorus Senior Notes \$000	Chorus Subordinated Notes \$000	Total \$000
<b>Net Investments at 1 July 2018</b>	<b>302</b>	<b>147,869</b>	<b>61,271</b>	<b>121,247</b>	<b>330,689</b>
Amount paid during the year	-	109,970	15,746	21,339	147,055
Amount payable at balance date	-	17,786	7,131	9,449	34,366
Less UFB contribution	-	(78,380)	(10,021)	(14,859)	(103,260)
<i>Initial investment recognised</i>	-	49,376	12,856	15,929	78,161
Fair value gains recognised in surplus or deficit	(257)	17,143	7,129	13,014	37,029
Interest	-	11,628	3,349	7,375	22,352
<b>Net Investments at 30 June 2019</b>	<b>45</b>	<b>226,016</b>	<b>84,605</b>	<b>157,565</b>	<b>468,231</b>
Amount paid during the year	-	78,608	9,064	10,844	98,516
Amount payable at balance date	-	12,063	-	-	12,063
Less UFB contribution	-	(54,281)	(3,122)	(4,248)	(61,651)
<i>Initial investment recognised</i>	-	36,390	5,942	6,596	48,928
Fair value gain/(loss) recognised in surplus or deficit	4,068	(15,342)	7,030	(4,085)	(8,329)
Interest	-	16,079	4,129	8,766	28,974
<b>Net Investments at 30 June 2020</b>	<b>4,113</b>	<b>263,143</b>	<b>101,706</b>	<b>168,842</b>	<b>537,804</b>

All gains/losses attributable to financial assets at FVTSD relate to assets that continue to be held at the end of the reporting period.

The Group's investments in the CCHL loan, UFF loan and NFL2 loan are carried at amortised cost and are set out below:

	CCHL loan \$000	NFL2 loan \$000	UFF loan \$000	Total \$000
<b>Balance at 30 June 2018</b>	<b>138,867</b>	<b>2,426</b>	<b>-</b>	<b>141,293</b>
Amount paid during the year	2,207	3,143	-	5,350
Amount payable at balance date	-	2,680	7,481	10,161
Less UFB contribution	(126)	(2,937)	(4,091)	(7,154)
<i>Initial investment recognised</i>	2,081	2,886	3,390	8,357
Interest revenue	4,394	179	1	4,574
<b>Balance at 30 June 2019</b>	<b>145,342</b>	<b>5,491</b>	<b>3,391</b>	<b>154,224</b>
Amount paid (reversed) during the year <sup>1</sup>	5,592	3,211	(7,482)	1,321
Amount payable at balance date	-	196	-	196
Plus/Less UFB contribution <sup>1</sup>	(141)	(1,686)	4,091	2,264
<i>Initial investment recognised</i>	5,451	1,721	3,391	3,781
Interest revenue	4,615	298	-	4,913
<b>Balance at 30 June 2020</b>	<b>155,408</b>	<b>7,510</b>	<b>-</b>	<b>162,918</b>

<sup>1</sup> In 2019 the Group provided for its agreed contribution to UFF. In the current period UFF decided not to take the funding on 2 December 2019.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

### 4. INVESTMENTS (CONTINUED)

#### Chorus overview

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 of 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.

In September 2016 Chorus agreed with CIP that Chorus would continue to fund Non-Standard Installations (NSI) of UFB fibre connections on the basis that the NSI contribution from Chorus would be recoverable as part of the regulated asset base that will underpin the new regulatory model to be implemented by the Commerce Commission. At the request of the Commission the implementation of the new regulatory model was delayed by two years to 1 January 2022. Chorus and CIP have agreed to adjust some unissued Equity Securities due to the consequential delay in recovering the NSI funding. CIP will extend the dividend payment dates to 2036 on all UFB2 Equity Securities called by Chorus after 1 July 2020. The dividend payment dates of \$90 million of UFB2 Equity Securities that are still to be issued have been extended by a weighted average of four years.

#### 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, except those associated with the NSI, 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 2020 the Moody's Chorus Credit rating is Baa2 (30 June 2019: Baa2), and Standard & Poor's rating is BBB (2019: BBB). Both credit ratings are investment grade.

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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

4. INVESTMENTS (CONTINUED)

Chorus Debt Securities - key terms

The Chorus Debt Securities are unsecured and carry no interest, but, in accordance with the applicable financial reporting standards, 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 Chorus Debt Securities. The initial value of the subordinated portion is the difference between the issue price of the Chorus Debt Securities and the value of the senior portion.

The repayment profile is based on a similar regime to the dividend rights for the Chorus Equity Securities. The 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).

Accounting policies

The investments in unlisted Equity Securities of Chorus are classified as Fair Value Through Surplus or Deficit (FVTSD) and are measured at fair value. The investments are recognised at fair value on initial recognition and subsequently, with all gains and losses recognised in surplus or deficit.

The fair value movements relating to the Chorus Equity Securities are presented in the following line items in the Statement of Comprehensive Revenue and Expense:

- Interest income - imputed interest is calculated using the effective interest method to approximate the effect of interest income to CIP on these instruments;
- Dividends are recognised in surplus or deficit when the Company's right to receive the dividends is established; and
- Fair value gains/losses on FVTSD investments - all other fair value movements, including impairment, are included in the fair value gains/losses on FVTSD investments line item. Indications that Chorus is in significant financial difficulty and late payments are considered to be objective evidence of impairment.

The Group's investments in Chorus Debt Securities are recognised at fair value on initial recognition and subsequently, with all gains and losses recognised in surplus or deficit.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

4. INVESTMENTS (CONTINUED)

The fair value movements relating to the Chorus Debt Securities are presented in the following line items in the Statement of Comprehensive Revenue and Expense:

- Interest income - imputed interest is calculated using the effective interest method; and
- Fair value gains/losses on FVTSD investments - all other fair value movements, including impairment, are included in the fair value gains/losses on FVTSD investments line item.

The Group's investments in the CCHL and NFL2 loans are categorised as amortised cost financial assets 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 significant impairment. Interest income is recognised by applying the effective interest method.

Any difference on 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.

Key assumptions

Fair value is determined in the manner set out under the Fair Value Measurements section of note 15. The estimates used are based primarily 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 and Chorus Debt Securities carried at fair value.

Key assumptions/inputs	Equity Securities			Debt Securities			
	2020 Assumption	2019 Assumption	Possible change	2020 Impact \$000	2019 Impact \$000	2020 Impact \$000	2019 Impact \$000
Senior credit spread (BBB (2019: BBB))	206-288 bps	184-298 bps	+/-50 bps	NA	NA	-5,300/5,700	-4,700/+5,000
Subordinated credit spread (BBB-/BB+ (2019: BBB-/BB+))	368-450 bps	255-369 bps	+/-50 bps	-13,300/14,200	-12,310/+13,200	-8,500/9,100	-8,700/+9,300
Risk-free term structure	0.47% - 1.26%	1.30% - 1.97%	+/-100 bps	-25,800/29,300	-23,800/+27,300	-26,800/30,600	-25,900/+29,700

INVESTMENTS IN BULK HOUSING INFRASTRUCTURE ASSETS

BHI financial assets - key terms

The Group, through its subsidiary Milldale Infrastructure LP, provides funding to the developer to fund construction of bulk housing infrastructure. The developer places a first ranking encumbrance on the land and the Group is entitled to receive infrastructure payments from the developer and subsequent landowners over a 35-year period. The infrastructure payments on a portion of the encumbrances began in July 2019, with the percentage making payments increasing over time to reflect the pattern on which lots are expected to be developed and released to third party landowners. There are some provisions for either the developer or a subsequent landowner to prepay the remaining balance under the encumbrance.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

4. INVESTMENTS (CONTINUED)

Accounting policies

The investments in BHI financial assets are classified as Fair Value Through Surplus or Deficit (FVTSD). These financial assets do not qualify to be measured at amortised cost because the cash flows do not represent solely payment of principal and interest. The investments are recognised at fair value on initial recognition and subsequently, with all gains and losses recognised in surplus or deficit.

The fair value movements relating to the investments in BHI financial assets are presented in the following line items in the Statement of Comprehensive Revenue and Expense:

- Interest income - imputed interest is calculated using the effective interest method; and
- Fair value gains/losses on FVTSD investments - all other fair value movements, including impairment, are included in the fair value gains/losses on FVTSD investments line item.

Key assumptions

Fair value is determined using a discounted cash flow methodology based on the expected cash inflows from the infrastructure payments. The key assumption is the discount rate set out below, along with information on a reasonably possible change and the potential impacts of such a change on the investment carrying value for the BHI financial assets.

Key assumptions/inputs	2020 Assumption	Possible change	2020 Impact \$000	2019 Assumption	Possible change	2019 Impact \$000
Discount rate	5.7%	+/-50 bps	-2,600/ +2,800	6.0%	+/-50 bps	-552/ +552

FUNDING COMMITMENTS AND PAYMENTS

UFB programme

The Crown, through CIP, will invest over \$1.3 billion in the original UFB programme to provide UFB access to 75% of the population, and a further \$407 million in the UFB expansion, to provide UFB access to a further 11% of the population; \$210 million is an additional appropriation and \$197 million is from capital recycled by CIP with the LFC(s), and CCHL in relation to the ENL build. 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 2021	Financial year 2022	Financial year 2023
Total premises passed #000 <sup>1</sup>	1,369	1,411	1,446
Total investment \$m <sup>2</sup>	1,575	1,651	1,718

RBI2/MBSF programme

The RBI2 programme is targeted at underserved (<20 Mbps) rural broadband households and businesses, and MBSF is targeted at providing mobile coverage to State Highways and Tourism sites that currently have no mobile coverage. CIP has contracted with the Rural Connectivity Group (RCG)<sup>3</sup>, and 17 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 and the Provincial Growth Fund (PGF) provides for up to a further \$40 million of grant funding. CIP receives the TDL and PGF funding 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 \$105 million of the RBI2/MBSF programmes. The table below summarises the objectives to be achieved by the RBI2/MBSF programme.

<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.  
<sup>3</sup> A joint venture between Vodafone, Spark and 2degrees.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

4. INVESTMENTS (CONTINUED)

CIP's performance targets for RBI2/MBSF		Financial year	Total programme <sup>4</sup>
		Fiscal 2021	Fiscal 2023
1	Rural End Users to receive improved broadband	63,566 <sup>5</sup>	84,327 <sup>5</sup>
2	Mobile Black Spot Tourist sites covered	69	168
3	Mobile Black Spot Highway kilometres covered	745	1,406

Grant payments

In the current period the Group paid \$58.9 million in RBI2/MBSF grant payments that were funded by the Crown (2019: \$16.2 million). Additionally, in the current period, CIP provided an additional \$8.2 million of RBI2/MBSF grant payments (2019: \$0.6 million). CIP received \$11.8 million in PGF funding (2019: \$1.8 million), and has made \$13.0 million of PGF grants (2019: \$0.5 million).

Marae digital connectivity

CIP has allocated \$12.75 million over three years to provide broadband connections and equipment to eligible marae and 'regional digital hubs', under the Provincial Growth Fund. Urban marae have also been added to the marae connectivity programme. The purpose of the funding is to connect marae to the internet, and connect regional digital hubs in towns, and to provide relevant hardware and equipment enabling local people and businesses to access and use digital services.

Rural broadband capacity upgrades

To improve rural connectivity CIP has been allocated \$15 million toward rural broadband capacity upgrades as part of the Regional Digital Connectivity Objective, which will enable households and businesses to connect to existing wireless infrastructure that previously had its capacity exhausted. CIP's performance in terms of the capacity upgrades is based on the upgrades being contracted and substantively completed within fiscal 2021.

NGCC

CIP has been appointed to act as delivery partner for the Next Generation Critical Communications (NGCC) by managing procurement and delivery of radio and cellular network infrastructure and services.

Bulk Housing Infrastructure

In the May 2019 Government Budget, CIP has been allocated \$300 million over five years for bulk housing infrastructure. 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.

Infrastructure Reference Group (IRG)

From April to June 2020, CIP was acting as secretariat to the Infrastructure Reference Group (IRG). The IRG was established due to concerns of a large downturn in the infrastructure and construction sector as a result of COVID-19. The IRG was tasked with developing a report of possible infrastructure and construction projects and programmes that are ready, or close to ready, to get underway. The IRG report was provided to Government on 18 May 2020.

Following this, decisions were made by Cabinet and Ministers on the allocation of IRG projects. CIP and other Crown agencies, are now in the implementation phase with negotiations underway with project owners. CIP's role is to fund \$1.3 billion of IRG projects, and also to carry out a co-ordination role across the other agencies responsible for IRG projects for project approvals and regular reporting.

<sup>4</sup> Includes the RBI2/MBSF expansion contracts agreed during the year.  
<sup>5</sup> Total programme rural End Users includes commercial mobile broadband and commercial wireless internet service provider coverage.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

5. OTHER PROPERTY, PLANT AND EQUIPMENT

	Information technology \$000	Other equipment \$000	Total \$000
<b>Cost</b>			
Balance at 1 July 2018	359	144	503
Additions during the year	66	2	68
Disposals during the year	-	-	-
Balance at 30 June 2019	425	146	571
<b>Accumulated depreciation</b>			
Balance at 1 July 2018	276	108	384
Depreciation charge for the year	47	10	57
Disposals during the year	-	-	-
Balance at 30 June 2019	323	118	441
<b>Net book value at 30 June 2019</b>	<b>102</b>	<b>28</b>	<b>130</b>
<b>Cost</b>			
Balance at 1 July 2019	425	146	571
Additions during the year	29	75	104
Disposals during the year	(17)	-	(17)
Balance at 30 June 2020	437	221	658
<b>Accumulated depreciation</b>			
Balance at 1 July 2019	323	118	441
Depreciation charge for the year	55	17	72
Disposals during the year	(17)	-	(17)
Balance at 30 June 2020	361	135	496
<b>Net book value at 30 June 2020</b>	<b>76</b>	<b>86</b>	<b>162</b>

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

5. OTHER PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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%)

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 (2019: Nil).

6. INTEREST AND MISCELLANEOUS INCOME

	2020 \$000	2019 \$000
<b>Interest income</b>		
<b>Amortised cost</b>		
CCHL loan	4,615	4,394
NFL2 loan	298	179
UFF loan <sup>1</sup>	-	1
Investments in BHI financial assets	1,128	111
Interest earned on cash balances with financial institutions	1,349	1,595
<b>FVTSD financial assets</b>		
Chorus Equity Securities	16,079	11,628
Chorus Debt Securities	12,895	10,724
<b>Total interest income</b>	<b>36,364</b>	<b>28,632</b>

The interest income on the CCHL loan, NFL2 loan, UFF loan, investment in BHI financial asset and Chorus Debt and Equity Securities is the imputed interest calculated to approximate the effect of interest income to CIP on these instruments. For the CCHL, NFL2 and UFF loans and the Chorus securities, 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.

Miscellaneous income of \$1.2 million in 2019 was a reimbursement by the developer of the Milldale project for cost incurred during the set-up of the subsidiary companies.

<sup>1</sup> In 2019 the Group provided for its agreed contribution to UFF. In the current period UFF decided not to take the funding.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

7. DIRECTORS’ FEES

	2020 \$000	2019 \$000
Board member fees during the year were:		
Simon Allen (Chair to 29 February 2020)	40	63
Mark Binns (Chair from 1 March 2020)	43	32
Miriam Dean	21	32
Danelle Dinsdale	31	32
Chris Gudgeon	23	-
Kerry Knight	23	-
Murray Milner	-	10
Bella Takiari-Brame	11	-
Keith Tempest	26	32
Total Board member fees	218	201

Simon Allen and Miriam Dean resigned in February 2020. Keith Tempest resigned in April 2020. Murray Milner resigned in October 2018. Chris Gudgeon and Kerry Knight were appointed in October 2019. Bella Takiari-Brame was appointed in March 2020. Mark Binns was appointed in June 2018.

The Group has effected Directors’ and Officers’ liability insurance to cover Directors and Officers. The Group indemnifies 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.

8. EMPLOYEE ENTITLEMENTS, PERSONNEL COSTS AND KEY MANAGEMENT PERSONNEL

	2020 \$000	2019 \$000
Salaries and wages	5,608	4,684
Employer contributions to defined contribution plans	93	78
Other staff benefits	141	106
Total personnel costs	5,842	4,868

CIP has 25 full-time-equivalent employees and six contractors as at 30 June 2020 (2019: 21 and seven respectively).

Key management personnel compensation

	2020 \$000	2019 \$000
Directors - eight individuals (2019: six)	218	201
Chief Executive Officer and senior management (6 individuals) (2019: 6 individuals)	2,474	2,319
Total key management personnel compensation	2,692	2,520

No significant compensation or termination benefits have been paid during the year (2019: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

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

The remuneration policy for the Company, including the CEO, is based on the following principles:

- To align remuneration, recognition and performance frameworks to the purpose and values of CIP;
- To balance the need to operate competitively in the private sector recruitment market, while being mindful of CIP being Government owned and funded as a Schedule 4 company;
- To build an organisation of motivated, engaged and productive employees, who in turn create desired business performance and results;
- To develop and maintain pay and performance systems that enable Crown Infrastructure Partners to attract, retain and motivate suitably qualified staff;
- To develop consistent, transparent and sustainable pay and performance systems; and
- To value and reward staff fairly in relation to:
  - » the work they do and their performance in the job;
  - » the growth of individuals in their positions;
  - » other jobs in the organisation;
  - » the market value of their job;
  - » remuneration levels in similar organisations and sectors; and
  - » their contribution to the organisation.

The Company remuneration is based on Fixed Remuneration and an At Risk Incentive (ARI). Fixed Remuneration consists of base salary and other benefits including KiwiSaver. Fixed Remuneration for a position is determined by the job size and the corresponding remuneration ranges from our market comparator provided by independent remuneration specialists. The market comparator is selected based on the industry sectors CIP recruits from. An annual review and market benchmarking against market data is conducted each year which informs whether a general increase to Fixed Remuneration is appropriate. Increases to an individual’s Fixed Remuneration beyond the general adjustment may occur depending on where an individual sits in the remuneration range for their position, their performance and growth in role and if the scope of their role has increased.

The ARI is the principal method by which CIP recognises and rewards collective performance as a company, as outlined in the Statement of Performance Expectations (SPE), and individual performance against Key Performance Indicators (KPIs). Fifty percent of the ARI is made up of an employee’s performance against KPIs as defined annually in their KPI document. Individual KPIs are derived from CIP’s SPE targets, and are agreed by the individual and their people manager. The other 50% of the ARI is determined by Company performance against targets which are agreed with the CIP Board Remuneration Committee each year.

CEO remuneration for 2020 and 2019 was:

		Fixed Remuneration	Short-Term Incentive¹	% of Short-Term Incentive paid	Total Remuneration
Graham Mitchell	2020	\$516,480	\$77,472	100%	\$593,952
Executive remuneration		\$1,518,018	\$226,144	99%	\$1,744,162
Graham Mitchell	2019	\$505,115	\$71,979	95%	\$577,094
Executive remuneration		\$1,484,675	\$210,772	97%	\$1,695,447

CEO and executive remuneration consists of Fixed Remuneration, and a Short-Term Incentive. The Short-Term Incentive is based 50% on Company performance, as outlined in the SPE, and 50% on individual KPIs determined by the Board. These measures are reviewed annually by the Board on advice from the Remuneration Committee of the Board. The CEO’s Individual Employment Agreement has a three-month notice period and redundancy entitlement of three months’ remuneration.

¹ Short-Term Incentive (STI) for 2020 performance period (paid 2021), STI for 2019 performance period (paid 2020). There are 5 Executives in 2020 (2019:5)



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

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

#### 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.

#### 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

	2020 # staff	2019 # staff
\$100,000 - \$109,999	-	1
\$110,000 - \$119,999	2	-
\$130,000 - \$139,999	-	1
\$140,000 - \$149,999	3	-
\$150,000 - \$159,999	2	1
\$160,000 - \$169,999	2	1
\$170,000 - \$179,999	-	1
\$180,000 - \$189,999	1	1
\$190,000 - \$199,999	-	-
\$200,000 - \$209,999	3	2
\$210,000 - \$219,999	1	1
\$260,000 - \$269,999	1	2
\$280,000 - \$289,999	1	1
\$290,000 - \$299,999	2	1
\$300,000 - \$309,999	-	1
\$310,000 - \$319,999	1	-
\$400,000 - \$409,999	-	1
\$410,000 - \$419,999	1	-
\$470,000 - \$479,999	-	1
\$480,000 - \$489,999	1	-
\$570,000 - \$579,999	-	1
\$590,000 - \$599,999	1	-
<b>Total employees</b>	<b>22</b>	<b>17</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

### 9. PROFESSIONAL ADVISORY FEES

	2020 \$000	2019 \$000
Accounting	803	938
Legal	611	1,839
Engineering	1,671	-
Other	891	809
<b>Total professional advisory fees</b>	<b>3,976</b>	<b>3,586</b>

Accounting fees relate to non-audit accounting services provided; legal fees relate to the provision of legal services, engineering is the provision of services undertaken as part of the IRG report to Ministers.

### 10. OTHER EXPENSES

	2020 \$000	2019 \$000
Financial statements audit fees - Audit New Zealand	177	162
Other audit fees (probity review) - Audit New Zealand	40	-
Contractors and project management	1,648	1,339
Staff travel and accommodation	222	280
Operating lease expenses	299	308
Information technology	243	219
Other	468	371
<b>Total other expenses</b>	<b>3,097</b>	<b>2,679</b>

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

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.

### 11. TAXATION

	2020 \$000	2019 \$000
Current income tax expense/(credit) recognised in surplus/(deficit)	-	-
Deferred tax expense relating to tax losses and the origination and reversal of temporary differences	-	-
<b>Total income tax expense/(credit)</b>	<b>-</b>	<b>-</b>
<b>Reconciliation</b>		
Surplus/(deficit) for the period	(52,312)	(54,128)
Tax expense/(credit) calculated at 28% (2019: 28%)	(14,647)	(15,156)
Effect of non-taxable status of the entities in the Group	14,647	15,156
<b>Total income tax expense/(credit)</b>	<b>-</b>	<b>-</b>

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. CIP's subsidiaries are also exempt from the payment of income tax.

#### 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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

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 revenue and expenses (excluding interest, which is set out in note 6) in each of the PBE IFRS 9 categories are as follows:

	2020 \$000	2019 \$000
<b>Fair value gains/(losses) on remeasurement of financial assets at FVTSD</b>		
Chorus Equity Securities - fair value gains	(15,342)	17,143
Chorus Equity Warrants - fair value gains/(losses)	4,068	(257)
Chorus Debt Securities - fair value gains/(losses)	2,945	20,143
BHI financial assets - fair value gains/(losses)	10,133	-
<b>Fair value losses on initial recognition of financial assets at FVTSD</b>		
Chorus Equity Securities - UFB contribution	(54,281)	(78,380)
Chorus Debt Securities - UFB contribution	(7,370)	(24,880)
<b>Fair value losses on initial recognition of financial assets measured at amortised cost</b>		
CCHL loan - UFB contribution	(141)	(126)
NFL2 loan - UFB contribution	(1,686)	(2,937)
UFF loan - UFB contribution <sup>1</sup>	4,091	(4,091)
<b>Total recognised in surplus/(deficit)</b>	<b>(57,583)</b>	<b>(73,385)</b>

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

	2020 \$000	2019 \$000
<b>Net deficit after tax</b>	(52,312)	(54,128)
<b>Add/(less) non-cash items</b>		
Interest income	(35,015)	(27,037)
Fair value loss/(gain) on FVTSD investments	(736)	(37,286)
Fair value losses/(gains) on derivatives	(4,068)	257
Gain on sale of investments in LFC equity	(120)	(143)
Depreciation	72	57
UFB contribution	59,387	110,414
Miscellaneous income <sup>2</sup>	-	(1,227)
<i>Total non-cash items</i>	19,520	45,035
<b>Add/(less) movements in working capital items</b>		
Receivables, GST and prepayments	16,077	19,869
Creditors and other payables	(27,550)	28,851
Employee entitlements	97	(70)
<i>Net movements in working capital items</i>	(11,376)	48,650
<b>Add/(less) items reclassified as investing or financing</b>		
Movements in trade and other receivables related to financing activities	(18,000)	(20,000)
Movements in creditors and other payables related to property, plant and equipment	57	(55)
Movements in creditors and other payables related to Chorus investments and loans to LFCs	52,157	(27,916)
Interest paid	856	111
Transaction costs recorded as part of the initial carrying amount of borrowings	(338)	(2,252)
<b>Net cash from operating activities</b>	<b>(9,436)</b>	<b>(10,555)</b>

<sup>1</sup> In 2019 the Group provided for its agreed contribution to UFF. In the current period UFF decided not to take the funding.  
<sup>2</sup> In 2019 the payment for the investment in BHI financial asset was net of the amount owed from the developer for the miscellaneous income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

14. CREDITORS AND OTHER PAYABLES

	2020 \$000	2019 \$000
Creditors	43,198	67,727
Accrued expenses	469	3,490
<b>Total creditors and other payables</b>	<b>43,667</b>	<b>71,217</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.

Purchases of property, plant and equipment are set out in note 5 and note 17.

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. The Group is exposed to fair value interest rate risk on the Chorus Equity Securities, Chorus Debt Securities and BHI financial assets, 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, the CCHL loan, the NFL2 loan, the UFF 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 1.3% (2019: 2.4%).

The terms of the Chorus Equity Securities and Debt Securities, the CCHL loan, and the investment in BHI financial assets are set out in note 4.

The terms of the Group's borrowings are set out in note 3.

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 the Group to cash flow interest rate risk.

The Group currently has no variable-rate financial instruments; however, term deposits are re-priced every quarter.

Sensitivity analysis

In relation to term deposits, as at 30 June 2020, 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 \$0.1 million (2019: \$0.5 million) higher/lower. This sensitivity is less than in the prior year as fewer term deposits were held at balance date than in the prior year.

The sensitivities of the Chorus Securities and the BHI investments are set out in the relevant key assumptions sections of note 4.

<sup>1</sup> In 2019 the Group provided for its agreed contribution to UFF. In the current period UFF decided not to take the funding.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

15. FINANCIAL RISK (CONTINUED)

CREDIT RISK

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

Credit risk arises from exposure to counterparties where the Group 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; and the remaining Partner in respect of the option and forward sale arrangement in respect of NFL shares.

The investments in BHI financial assets are secured by first ranking encumbrances on the land. At 30 June 2020 the credit risk is largely concentrated to one developer; however, as the developer sells parcels to new landowners the Group is exposed to additional counterparties. However, the credit risk relating to the BHI investments is deemed to be low due to the first ranking encumbrances.

The Group invests surplus cash with major registered trading banks. The Group’s deposits are currently held with three (2019: three) 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).

The Group obtains guarantees and/or collateral for loans made to other parties as appropriate. The CCHL loan is secured against ESL’s shares and debt in ENL and the assets of ENL, as described in note 4. 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 are no material overdue assets at 30 June 2020 (2019: Nil) and there is no material impairment (2019: no material impairment). The credit risk for each of the CCHL and NFL2 loans and loan commitments has been determined to be low. The Group considers whether the credit risk has increased by evaluating the activities of the entities to which it has lent funds to determine whether the entities are on target to complete construction projects and whether there are any other events or circumstances indicating that the credit risk of those entities has changed. At 30 June 2020, \$7 million of the trade receivable balance is due from the Crown (2019: \$25 million).

CIP’s maximum credit exposure is represented by the carrying amounts of the Group’s financial assets and the Group’s commitment to purchase Chorus Securities and to provide further funding to each of CCHL, NFL2, and NFL.

LIQUIDITY RISK

Liquidity risk is the risk that 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 Group also manages its liquidity risk relating to its borrowings by matching the expected payments with expected cash receipts relating to the BHI investments.

The Group holds 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

15. FINANCIAL RISK (CONTINUED)

Contractual maturity analysis of financial liabilities

The following tables detail the Group’s remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

2020 Financial liability	Less than 12 months	Between 1 and 5 years	Between 5 and 10 years	Greater than 10 years
Creditors and other payables	43,667	-	-	-
Borrowings	1,265	5,060	6,746	41,957
Total cash flows	44,932	5,060	6,746	41,957

2019 Financial liability	Less than 12 months	Between 1 and 5 years	Between 5 and 10 years	Greater than 10 years
Creditors and other payables	71,217	-	-	-
Borrowings	437	1,747	2,273	14,986
Total cash flows	71,654	1,747	2,273	14,986

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

FAIR VALUE MEASUREMENTS

For the purposes of disclosing information about the fair value of financial instruments, the Group has classified its financial instruments into three categories based on the degree to which the inputs to the fair value measurements are observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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. There were no transfers between levels in the current period.

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 Group’s borrowings (drawdowns of \$23.5 million (2019: \$8.1 million) have a fair value of \$28.8 million (2019: \$8.2 million). The carrying amount of the borrowings at 30 June 2020 of \$21.0 million represents drawdowns of \$23.5 million net of transaction costs of \$2.5 million.

The investment in the NFL2 loan (carrying amount \$7.5 million) has a fair value of \$8.0 million (2019: the carrying amount of \$5.5 million had a fair value of \$5.9 million).

The investment in the CCHL loan (carrying amount \$155.4 million) has a fair value of \$158.4 million (2019: the carrying amount of \$145.3 million had a fair value of \$148.5 million).

The fair value of the loans and borrowings differ from their carrying amounts predominantly due to mark-to-market interest rates moving compared with the amortised cost used in the initial recognition of the instruments.

The carrying amounts of all other financial assets and liabilities approximate their fair values at 30 June 2020 and 30 June 2019.

<sup>1</sup> In 2019 the Group provided for its agreed contribution to UFF. In the current period UFF decided not to take the funding.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

15. FINANCIAL RISK (CONTINUED)

CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES

The carrying amounts of financial assets and liabilities in each of the PBE IFRS 9 categories are as follows:

	2020 \$000	2019 \$000
<b>Amortised cost</b>		
Cash and cash equivalents	76,998	137,364
Trade and other receivables	7,386	25,064
UFF loan	-	3,391
CCHL loan	155,408	145,342
NFL2 loan	7,510	5,491
<i>Total financial assets carried at amortised cost</i>	247,302	316,652
<b>Financial assets mandatorily measured at FVTSD</b>		
Investments in Chorus Equity Securities	263,143	226,016
Investments in Chorus Debt Securities	270,548	242,170
Investments in Chorus Equity Warrants	4,113	45
Investments in BHI financial assets	34,433	9,331
<i>Total financial assets mandatorily measured at FVTSD</i>	572,237	477,562
<b>Total financial assets</b>	<b>819,539</b>	<b>794,214</b>
<b>Financial liabilities measured at amortised cost</b>		
Creditors and other payables	43,667	71,217
Borrowings	20,956	5,880
<i>Total financial liabilities measured at amortised cost</i>	64,623	77,097
<b>Total financial liabilities</b>	<b>64,623</b>	<b>77,097</b>

16. CAPITAL AND CAPITAL MANAGEMENT

	2020 \$000 & #000	2019 \$000 & #000
Opening balance	1,334,900	1,072,900
Capital contribution	97,000	262,000
<b>Balance at 30 June</b>	<b>1,431,900</b>	<b>1,334,900</b>

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 1,855,400,200 \$1 ordinary shares issued (2019: 1,855,400,200), with 1,431,900,200 being fully paid (2019: 1,334,900,200) and 423,500,000 being unpaid (2019: 520,500,000). 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, and borrowings. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

17. FIBRE NETWORK ASSETS

CIP has entered into an arrangement with Chorus under which Chorus will design and construct digital network infrastructure in Milford Sound and the West Coast of the South Island on behalf of CIP. These assets will support the Government's objective of improving digital connectivity capabilities across local communities, support tourism activity, contribute to public safety and science programmes and contribute to network resilience in the West Coast and Milford Sound areas. Chorus will also provide operation and maintenance services on the network for a period of 25 years. The network is currently work in progress and is in the design phase at 30 June 2020. The costs to design and build the infrastructure are capitalised as property, plant and equipment at cost. Once the network is complete, the assets will be depreciated over their estimated useful lives.

18. EVENTS AFTER BALANCE DATE

Following 30 June 2020 CIP has received and invested further funds of:

- \$7 million of BHI Capital funds were received on 14 July 2020;
- \$50 million of UFB Capital funds were received on 29 September 2020;
- \$49.0 million was paid, with \$43.7 million being Creditors and other Payables and as at 30 June 2020 which has been fully paid during July to 5 November 2020;
- \$1.265 billion (increased from \$986.3 million authorised by Cabinet on 20 July 2020) Multi-Year Appropriation for IRG was authorised by Ministers on 15 September 2020, with 38 CIP IRG projects for \$1.004 billion approved by IRG Ministers, and 36 project have contracts signed;
- \$151 million of IRG funding was received on 30 September 2020 and \$41.3 million has been paid to project owners; and
- \$6.5 million for Capacity Upgrade Contracts with two Mobile Network Operators to improve the ability of their mobile towers to service to Rural Broadband customers.

CIP has been appointed to assist DIA with the Three Waters reform programme; while not directly funding this programme CIP's role relates to reviewing delivery plans from the local territorial authorities, monitoring, and reporting on the infrastructure expenditure.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

19. EXPLANATION OF SIGNIFICANT VARIANCES AGAINST BUDGET

The 2020 budgeted deficit of \$115.1 million was approved in the 2019/20 Statement of Performance Expectations.

CONSOLIDATED STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

	Actual 2020 \$000	Budget 2020 \$000
<b>Income</b>		
Interest income	36,364	36,144
Miscellaneous income	319	2,424
Grant Income	46,780	154,700
Net fair value gains/(losses) on financial assets at FVTSD	736	(21,737)
Net fair value gains/(losses) on derivatives	4,068	15
Gain on sale of investments in LFCs	120	-
<i>Total income</i>	<i>88,387</i>	<i>171,546</i>
<b>Expenses</b>		
Finance costs	998	-
Directors' fees	218	328
Wages and salaries	5,842	6,392
Depreciation expense	72	96
Professional and advisory fees	3,976	6,018
Other expenses	3,097	3,472
Non-grant project expenses (CIP Funding)	8,247	17,768
UFB contributions	59,387	93,936
Bulk housing project contributions	-	3,913
Grant Expense	58,862	154,700
<i>Total expenses</i>	<i>140,699</i>	<i>286,623</i>
<b>Surplus/(deficit) before tax</b>	<b>(52,312)</b>	<b>(115,077)</b>
Tax expense/(credit)	-	-
<b>Net surplus/(deficit)</b>	<b>(52,312)</b>	<b>(115,077)</b>

EXPLANATION OF SIGNIFICANT VARIANCES

The key variances are:

- Grant Income and Grant Expenses are less than budget primarily due to the RB12/MBSF build being slower than expected, and the subsequent grant receipts and payments by CIP are less than budget. There has been an improvement in the speed of build from the largest partner RCG, and in the last quarter of the financial year RCG handed over 40 towers for a project total of 126 towers, which is significantly more than in preceding quarters, bringing the build back on track. The build is expected to be complete on time;
- Net fair value gains/(losses) on financial assets at FVTSD are better than budget due to the interest rates for the majority of the year being less than forecast;
- Net fair value gains/(losses) on derivatives are better than budget due to the interest rates for the majority of the year being less than forecast;
- UFB contributions are lower than forecast due to the interest rates for the majority of the year being less than forecast, giving rise to lower contributions recognised on Chorus UFB investments, rather than a reduced volume of premises passed; and
- Bulk housing project contributions is less than budget, as the Milldale development was completed at market interest rates, and as a consequence no contribution was required.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

19. EXPLANATION OF SIGNIFICANT VARIANCES AGAINST BUDGET

(CONTINUED)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Actual 2020 \$000	Budget 2020 \$000
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	76,998	93,498
Trade and other receivables	7,386	50
Investment in LFC Loans	155,408	-
GST receivable	2,165	213
Prepayments	26	39
<i>Total current assets</i>	<i>256,043</i>	<i>93,800</i>
<b>Non-current assets</b>		
Fibre network assets	2,940	-
Other property, plant and equipment	162	77
Investment in NFL joint venture	17,420	13,245
Investments in Chorus Equity Securities	267,256	263,338
Investments in Chorus Debt Securities	270,548	247,095
Investments in LFC loans	7,510	168,061
Investments in bulk housing projects	34,433	99,647
<i>Total non-current assets</i>	<i>582,849</i>	<i>791,463</i>
<b>Total assets</b>	<b>842,252</b>	<b>885,263</b>
<b>Liabilities</b>		
Creditors and other payables	43,667	3,069
Employee entitlements	844	929
<i>Total current liabilities</i>	<i>44,511</i>	<i>3,998</i>
<b>Term liabilities</b>		
Term loan	20,956	49,260
<i>Total term liabilities</i>	<i>20,956</i>	<i>49,260</i>
<b>Total liabilities</b>	<b>65,467</b>	<b>53,258</b>
<b>Net assets</b>	<b>776,785</b>	<b>832,005</b>
<b>Contributed capital</b>	1,431,900	1,552,335
<b>Retained earnings</b>	(655,115)	(720,330)
<b>Total equity</b>	<b>776,785</b>	<b>832,005</b>

EXPLANATION OF SIGNIFICANT VARIANCES

The key variances are:

- Trade and other receivables is larger than budget as CIP has a \$7 million Capital Call outstanding. This was paid on 14 July 2020;
- Term loan is not as large as expected as no new projects were financed in the period, and the Milldale project has not drawn as much funding as anticipated. No new projects were financed, this is primarily due to the lack of availability of other suitable infrastructure projects, and Councils waiting for the IFF Legislation to pass, which took longer than expected; and
- Creditors and other payables are larger than budget, due to the accruals for RB12/MBSF, marae digital connectivity, and West Coast fibre links, where there has been hand over of towers, and delivery of connectivity to more Eligible End Users, and other contract obligations fulfilled earlier than budgeted.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

19. EXPLANATION OF SIGNIFICANT VARIANCES AGAINST BUDGET  
(CONTINUED)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Actual 2020 \$000	Budget 2020 \$000
Opening equity	732,097	729,647
Total comprehensive revenue and expense	(52,312)	(115,077)
Capital contribution - Crown	97,000	217,435
<b>Total equity</b>	<b>775,785</b>	<b>832,005</b>

EXPLANATION OF SIGNIFICANT VARIANCES

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

CONSOLIDATED STATEMENT OF CASH FLOWS

	Actual 2020 \$000	Budget 2020 \$000
<b>Cash flows from operating activities</b>		
Interest received	1,395	1,151
Grants received	46,780	154,700
Other receipts	-	2,192
Payments to suppliers and employees	(13,595)	(15,721)
Non-grant project expenses (CIP funded)	(5,355)	(17,768)
Grant payments	(36,979)	(154,700)
GST (net)	(1,682)	420
<b>Net cash outflow from operating activities</b>	<b>(9,436)</b>	<b>(29,726)</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(161)	(75)
Acquisition of investments in Chorus Equity Securities	(119,222)	(124,462)
Acquisition of investments in Chorus Debt Securities	(36,488)	(21,770)
Acquisition of investments in LFC loans	(11,483)	(10,231)
Investment in bulk housing projects	(14,322)	(89,125)
Receipts of payments from investment in BHI	481	430
Proceeds from sale of investments in LFC equity	707	1,040
<b>Net cash outflow from investing activities</b>	<b>(180,488)</b>	<b>(244,193)</b>
<b>Cash flows from financing activities</b>		
Capital contribution - Crown	115,000	217,435
Debt drawdown	15,414	39,809
Interest paid	(856)	(1,224)
<b>Net cash inflow from financing activities</b>	<b>129,558</b>	<b>256,020</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(60,366)</b>	<b>(17,899)</b>
Cash and cash equivalents at the beginning of the year	137,364	111,397
<b>Cash and cash equivalents at the end of the year</b>	<b>76,998</b>	<b>93,498</b>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

19. EXPLANATION OF SIGNIFICANT VARIANCES AGAINST BUDGET  
(CONTINUED)

EXPLANATION OF SIGNIFICANT VARIANCES

The key variances are set out below:

- The non-grant project expenses (CIP funded) are less than expected due to the RBI2/MBSF build being slower than expected. As noted above the RBI2/MBSF build is gaining traction and is expected to be complete on time;
- Grant payments are less than expected due to the RBI2/MBSF build being slower than expected. As noted above the RBI2/MBSF build is gaining traction and is expected to be complete on time;
- Acquisition of Chorus Equity Securities and Debt Securities reflects the mix of UFB premises handed over, and is not due to handing over fewer total UFB premises than forecast;
- Capital contributions are less than expected due to the impact of COVID-19, and CIP only drawing the minimum capital required and working with available cash on hand; and
- Debt draw down is not as large as expected as no new projects were financed and the Milldale project has not drawn as much funding as expected. However, the lack of availability of suitable infrastructure projects and the delay in the IFF legislation has meant no additional funding in the short term.

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 2020 \$000	Appropriation 2020 \$000	Actual 2019 \$000	Appropriation 2019 \$000
<b>Appropriation for UFB 30 June</b>				
Original appropriation UFB	582,500	582,500	582,500	582,500
Cumulative adjustments	10,000	-	-	-
<b>Total adjusted appropriation</b>	<b>592,500</b>	<b>582,500</b>	<b>582,500</b>	<b>582,500</b>
Cumulative actual expenditure 1 July	345,000	345,000	-	-
Current-year expenditure	90,000	159,500	245,000	245,000
<b>Cumulative expenditure</b>	<b>335,000</b>	<b>404,500</b>	<b>245,000</b>	<b>245,000</b>
<b>Appropriation remaining for UFB 30 June 2020</b>	<b>157,500</b>	<b>78,000</b>	<b>237,500</b>	<b>237,500</b>

These UFB appropriations have been combined for the year ended 30 June 2020.

	Actual 2020 \$000	Appropriation 2020 \$000	Actual 2019 \$000	Appropriation 2019 \$000
<b>Appropriation for Bulk Housing Infrastructure 30 June</b>				
Original appropriation BHI	600,000	600,000	600,000	600,000
Cumulative adjustments	(308,000)	(308,000)	(308,000)	(308,000)
<b>Total adjusted appropriation</b>	<b>292,000</b>	<b>292,000</b>	<b>292,000</b>	<b>292,000</b>
Cumulative expenditure 1 July	17,000	17,000	-	-
Current-year expenditure	7,000	7,000	17,000	17,000
<b>Cumulative expenditure</b>	<b>268,000</b>	<b>268,000</b>	<b>275,000</b>	<b>275,000</b>
<b>Appropriation remaining to 30 June 2020</b>	<b>268,000</b>	<b>268,000</b>	<b>275,000</b>	<b>275,000</b>



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

Assessment of performance	Actual standard of performance 2019/20	Budgeted standard of performance 2019/20
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 2020	Rollout targets are met
Assessment of performance	Actual standard of performance 2019/20	Budgeted standard of performance 2019/20
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 2019/20	Budgeted standard of performance 2019/20
A further 74,508 End Users will be provided with broadband coverage of greater than 20 Mbps, and an additional 1,046 State Highway kilometres and 108 Tourism sites provided with mobile coverage by December 2022	Although the planned number of End Users and State Highway kilometres was not reached this financial year the programme will be substantially complete by December 2022	Rollout targets are met
Assessment of performance	Actual standard of performance 2019/20	Budgeted standard of performance 2019/20
Two feasible infrastructure projects identified for financing under legislative model	Key projects have been identified and targeted for funding	By the end of fiscal 2020
Pipeline established for feasible projects where Infrastructure Financing can be utilised for fiscal years 2021 and beyond	A pipeline has been developed	By the end of fiscal 2020

DIRECTORY

Shareholders

The Minister of Finance  
The Minister for State Owned Enterprises

Registered office

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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

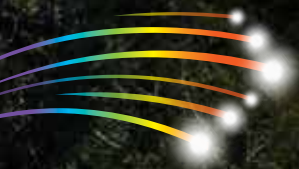
Senior Management

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

Mark Binns (Chair)  
Danelle Dinsdale  
Chris Gudgeon  
Kerry Knight  
Bella Takiari-Brame  
Simon Allen (previous Chair  
- Retired 29 February 2020)  
Miriam Dean  
(Retired 29 February 2020)  
Keith Tempest  
(Retired 30 April 2020)





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