

CROWN INFRASTRUCTURE PARTNERS LIMITED

STATEMENT OF PERFORMANCE EXPECTATIONS

1 JULY 2020 - 30 JUNE 2021

June 2020

Presented to the House of Representatives
pursuant to the Crown Entities Act 2004





CONTENTS

1. Introduction	1
2. CIP's purpose, objectives, scope and outputs	2
3. CIP's reportable outputs	4
4. UFB and RBI2/MBSF Partners' operational and service performance	8
5. Key business assumptions	10
6. Significant accounting policies	12
7. Financial statements	14
Appendix: Directory	18

1: INTRODUCTION

This Statement of Performance Expectations (SPE) is submitted by the Board of Directors of Crown Infrastructure Partners Limited (CIP), pursuant to the Crown Entities Act 2004. It sets out the performance expected of CIP for the period 1 July 2020 to 30 June 2021.

STATEMENT OF RESPONSIBILITY

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

Mark Binns, Chair
30 June 2020

Danelle Dinsdale, Director
30 June 2020

2: CIP’S PURPOSE, OBJECTIVES, SCOPE AND OUTPUTS

We note that COVID-19 has had a number of impacts on telecommunications network delivery and timing of urban development projects, some of which could continue to impact during FY21. The following measures assume there is no further change back to COVID-19 level 2, 3 or 4.

2.1 CIP’S PURPOSE AND OBJECTIVES

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 for the **NGCC Objective** and to undertake infrastructure financing for bulk housing and other classes of eligible infrastructure (the **Infrastructure Financing Objective**).

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 under way. The IRG report was provided to Government on 18 May 2020. Projects relating to Queenstown have just been announced, which CIP will be funding, and further announcements are pending at the date of this document. Given this announcement is very recent, this is not discussed further in this document.

CIP’s Statement of Intent for July 2018 to June 2022 outlines CIP’s vision, strategic priorities and functions to achieve the UFB Objective, the RBI2/MBSF Objective and the Infrastructure Financing Objective. The Regional Digital Connectivity Objective, NGCC Objective, and the expansion of Infrastructure Financing Objective to include other classes of urban infrastructure have been added since CIP issued the Statement of Intent and will be included in the next version. CIP expects to issue a new Statement of Intent within six months of the date CIP gains role clarity in relation to additional functional activities (for example, any further roles or responsibilities in relation to the IRG).

The diagram on the following page sets out CIP’s vision, purpose, functions and strategic priorities.



Gisborne.Net – Rocky Range

CIP’S VISION

“To partner with the private sector and local government to deliver infrastructure to improve the lives of New Zealanders”

CIP’S PURPOSE

- To accelerate the roll-out of UFB to 86% of New Zealanders by 2022 (**the UFB Objective**)²
- To improve broadband coverage for the last 4% of the population and mobile coverage on state highways and in tourist areas (the **RBI2/MBSF Objective**)
- To deliver West Coast and Southland fibre links, upgraded mobile capacity and digital connectivity for eligible marae and regional digital hubs (the **Regional Digital Connectivity Objective**)
- 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 (the **NGCC Objective**)
- To implement and/or facilitate funding and financing of infrastructure for housing and urban development and other eligible infrastructure in accordance with the Infrastructure Funding and Financing Act (upon the Act receiving royal assent) (the **Infrastructure Financing Objective**)

CIP FUNCTIONS

- CIP will ensure its policy goals are achieved by:
- managing contracts to deliver the UFB, RBI2/MBSF and Regional Digital Connectivity Objectives
 - implementing contracts and sourcing third party financing to fund infrastructure
 - a structured procurement and delivery approach for the NGCC network capability
 - monitoring and investing Crown funds in infrastructure partners
 - supporting Government digital connectivity policy objectives through procuring network infrastructure solutions for the delivery of high-speed broadband and mobile coverage, and eligible infrastructure identified in conjunction with the Government

STRATEGIC PRIORITIES

- Strategic priorities are to:
- monitor health and safety performance by partners and promote improvement where necessary
 - ensure deployment targets are achieved for UFB, RBI2/MBSF and Regional Digital Connectivity Objectives
 - implement arrangements with Councils, developers, private sector infrastructure providers, financiers and other parties as relevant to enable the delivery of financed infrastructure
 - establish procurement for the NGCC project and complete the procurement stage
 - one bulk housing infrastructure transaction materially advanced including material progress, in totality, on the various matters that need to be included in a levy proposal for the transaction (to be ultimately submitted to the recommender for assessment).³
 - establish a pipeline of projects for which there is a reasonable expectation of providing infrastructure financing in years following FY21³
 - stay within fiscal envelope for the infrastructure programmes
 - manage contracts effectively for the infrastructure programmes
 - ensure return of invested funds from infrastructure partners as per contractual arrangements
 - retain and develop engaged personnel

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

² NB: CIP is responsible for the roll-out of UFB to 86% of the population by 2022, with the remaining 1% being private fibre that CIP is not responsible for.
³ NB: Subject to enactment of the Infrastructure Funding and Financing Bill and using terms as defined in the current Bill (as at 15 June 2020).

3: CIP’S REPORTABLE OUTPUTS

Section 3 describes CIP’s outputs for the period from 1 July 2020 to 30 June 2021, which are reportable under section 149E(1) (a) of the Crown Entities Act 2004. CIP’s performance targets for fiscal year 2021 relate to UFB deployment, progress of RBI2 and MBSF initiatives, Regional Digital Connectivity programmes, the NGCC programme, and infrastructure financing, and financial and operational efficiency. Performance on these measures will be reported in CIP’s Annual Report.

In addition, CIP monitors the operational and service performance of its UFB and RBI2/MBSF partners (collectively **Partners**), as described in Section 4. These matters are the responsibility of each Partner; CIP’s role is to monitor performance to ensure that contractually agreed service levels are met. CIP also monitors health and safety performance across the various infrastructure programmes. Accordingly, these matters are regarded by CIP as non-reportable outputs for fiscal year 2021 under section 149E(1)(c) of the Crown Entities Act.

3.1 CIP’S PERFORMANCE MEASURES

3.1.1 UFB programme⁴

Performance Targets for the UFB Programme						
Reportable Measure		Fiscal 2020 to Jun 2020		Fiscal 2021 to Jun 2021		Project Complete 2022/2023
		Forecast	% Completed	Plan	% Completed	Plan
1	Number of UFB premises (project to date) handed over by Partners to CIP or the applicable LFC under UFB (000's)	1,312	91%	1,369	95%	1,434
2	The number of broadband end users (such as households and businesses) able to connect to UFB (000's) (project to date)	1,678	92%	1,740	96%	1,818
3	Percentage of population with access to UFB	82%		84%		86%

This class of outputs tracks CIP’s progress towards the achievement of the UFB Objectives.

CIP’s performance in terms of the UFB deployment is based on the number of premises handed over by the Partners. CIP’s performance in terms of the number of end users (such as households and businesses) able to connect to UFB is measured by CIP and its UFB Partners using a geospatial dataset.

3.1.2 RBI2 and MBSF programme⁴

Performance Targets for the RBI2/MBSF Programme						
Reportable Measure		Fiscal 2020 to Jun 2020		Fiscal 2021 to Jun 2021		Project Complete 2022/2023
		Forecast	% Completed	Plan	% Completed	Plan
4	Rural End Users to receive improved broadband	51,165	61%	63,566	75%	84,327
5	Mobile Black Spot Tourist sites covered	47	28%	69	41%	168
6	Mobile Black Spot Highway kilometres covered	574	41%	745	53%	1,406
7	Population percentage receiving improved broadband	2.1%	61%	2.6%	76%	3.4%

4 Coverage of all end users will meet all Government policy requirements.

This class of outputs tracks CIP’s progress towards the achievement of the RBI2/MBSF Objectives.

CIP’s performance in terms of the number of RBI2 end users able to receive improved broadband is based on the number of ‘Eligible End Users’ (such as households and businesses), population and marae handed over by the Partners. CIP’s performance in terms of these measures is measured by CIP and its RBI2 Partners using a geospatial dataset.

For MBSF, there are two classes of output that track CIP’s progress towards achievement of the RBI2/MBSF Objectives – contracted MBSF tourist sites covered, and contracted MBSF state highway kilometres covered.

CIP’s performance in terms of the number of MBSF tourist sites and state highway kilometres covered with mobile coverage is based on the number of sites and kilometres of coverage handed over by the Partners. CIP’s performance in terms of the sites and kilometres of coverage handed over under MBSF is measured by CIP and its MBSF Partner using a geospatial dataset.

3.1.3 Regional Digital Connectivity programme measures

DIGITAL CONNECTIVITY PROGRAMME MEASURES			
REPORTABLE MEASURES		FISCAL 2020 FORECAST	FISCAL 2021 TARGET
1	Marae: Time to connect marae capable of connection ⁵	51 days	< 60 business days
2	Marae: Average time for hardware in place for marae capable of connection ⁵	N/A	< 120 business days
3	Fibre Links: (Haast and Milford) contract awarded and deployment on plan for completion by end of 2021 and 2022 respectively	End of 2021 for Haast completion	On plan to achieve end of 2021 (Haast) and 2022 (Milford) completion
4	Capacity Upgrades: Progress on rural broadband capacity upgrades programme	N/A	Contracted and substantially completed

Marae provisioning

This class of outputs tracks CIP’s progress towards the achievement of the marae connectivity component of the Regional Digital Connectivity Objective by the measuring of timely provisioning of services. Urban marae have also been added to the marae connectivity programme.

CIP’s performance in terms of the marae programme is based on the number of marae that are capable of being connected⁵ to broadband that are provisioned for broadband service within an average of 60 working days, and have all required hardware in place within an average 120 working days from receiving an approved order from Te Puni Kokiri. This will be measured by CIP using a database.

Fibre link progress

This class of outputs tracks CIP’s progress towards the achievement of the fibre link objective component of the Regional Digital Connectivity Objective.

CIP’s performance in terms of the fibre link programme is based on progress in the build programme in terms of stages completed, and the fibre link programme being on track to meet the end completion date of each separate fibre link.

Capacity upgrades progress

This class of outputs tracks CIP’s progress towards the achievement of the rural broadband capacity upgrades component 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.

5 Capable of being connected means that the marae has access to a broadband network.

3.1.4 NGCC programme

NGCC PROGRAMME		
REPORTABLE MEASURE		FISCAL 2021 TARGET
1	NGCC procurement underway	By end of fiscal 2021

This class of outputs tracks progress towards the achievement of the NGCC Objective. CIP’s performance in terms of the NGCC programme is based on procurement being underway by the end of fiscal 2021.

3.1.5 Contractual measures for the Infrastructure Financing Objective

CONTRACTUAL MEASURES		
REPORTABLE MEASURE		FISCAL 2021 TARGET
1	One transaction materially advanced including material progress, in totality, on the various matters that need to be included in a levy proposal for the transaction (to be ultimately submitted to the recommender for assessment). ⁶	By end of fiscal 2021
2	Establish a pipeline of projects for which there is a reasonable expectation of providing infrastructure financing in years following FY21 ⁶	By end of fiscal 2021

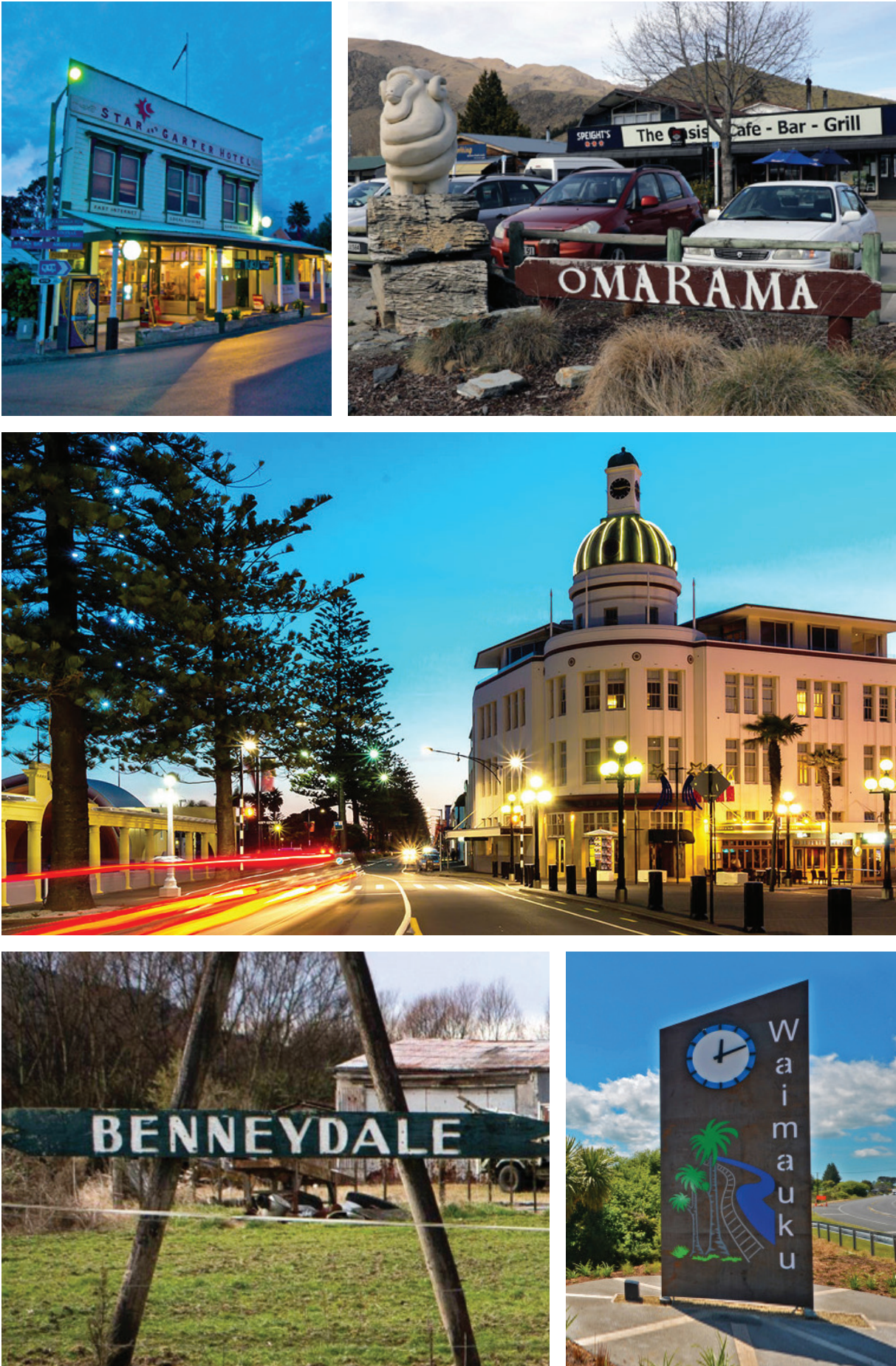
This class of outputs tracks CIP’s progress towards the achievement of the Infrastructure Financing Objective.

For Infrastructure Financing this class of output that tracks CIP’s progress will be measured based on advancing certain Infrastructure Financing projects to a position where one transaction is materially advanced including material progress, in totality, on the various matters that need to be included in a levy proposal for the transaction (to be ultimately submitted to the recommender for assessment), and beyond this will be measured based on establishment of a pipeline of projects for which there is a reasonable expectation of providing infrastructure financing in years following FY21.

3.1.6 CIP’s performance targets for financial and operational efficiency

PERFORMANCE TARGETS FOR FINANCIAL AND OPERATIONAL EFFICIENCY			
FINANCIAL YEAR		FISCAL 2020 ACTUAL	FISCAL 2021 PLAN
1	CIP net operational cost as percentage of annual investment/grants ⁷	5%	5%

This measure outlines the operational efficiency of establishing and managing the various infrastructure programmes. Each year the CIP Board plans CIP’s future level of resourcing, which depends on CIP’s scope of work and functions.



Towns with UFB available in FY20: from left to right: Coromandel Town, Omarama, Napier, Benneydale, Waimauku

6 Subject to enactment of the Infrastructure Funding and Financing Bill and using terms as defined in the current Bill (as at 15 June 2020).
7 Excludes IRG costs.

4: UFB AND RBI2/MBSF PARTNERS' OPERATIONAL AND SERVICE PERFORMANCE

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

4.1 UFB AND RBI2/MBSF SERVICE PERFORMANCE

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

CIP'S PARTNERS' PERFORMANCE TARGETS FOR UFB SERVICE PERFORMANCE		
SERVICE		TARGET
1	Local Fibre Companies UFB1 Provisioning⁸ <ul style="list-style-type: none">ResidentialBusiness/Priority Chorus⁹ UFB1 and UFB2, and Local Fibre Companies UFB2 Provisioning <ul style="list-style-type: none">All End Users	<ul style="list-style-type: none">Within 4 business daysWithin 6 business days (or date and time as agreed with the End User) <ul style="list-style-type: none">All connections are to be completed on the date agreed between LFC and the RSP/End User (Agreed Date)90% of the Agreed Dates must be within 60 days of a properly completed order
2	Layer 2¹⁰ performance per End User: <ul style="list-style-type: none">Residential RestorationBusiness/Priority Restoration	<ul style="list-style-type: none">Within 12 hoursWithin 12 hours
3	Layer 2 network performance per Candidate Area¹¹/POI Area¹²: <ul style="list-style-type: none">Frame Loss¹³ (99% of Frames)Frame Delay (99% of Frames)Frame Delay Variation (99% of Frames)Availability Time/Network	<ul style="list-style-type: none">No more than 0.1%No more than 5 ms (milliseconds) in UFB1 and 7 ms in UFB2¹⁴No more than 3 ms¹⁵ less than 30 minutes or 99.99%
4	Layer 1¹⁶ performance per End User: <ul style="list-style-type: none">Default RestorationLevel 1 Restoration (Priority)Level 2 Restoration (Priority)Level 3 Restoration (Priority)	<ul style="list-style-type: none">Within 48 hoursWithin 24 hoursWithin 12 hoursWithin 8 hours
5	Layer 1 performance by Candidate Area/POI Area: <ul style="list-style-type: none">Average DowntimeMinimum Availability	<ul style="list-style-type: none">No more than 2 hoursAt least 99.98%, measured over a 12-month period
CIP'S PARTNERS' PERFORMANCE TARGETS FOR RBI2/MBSF SERVICE PERFORMANCE		
6	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
7	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

CIP reports on the Partners' progress against these measures in its Annual Report.

8 Provisioning means the installation and activation of a UFB service for an end user such as a household or business.
9 Chorus Only: If orders exceed anticipated demand by 120%, then Chorus has additional time to complete the order that is proportional to the increase in demand (e.g. a 125% increase in orders above the anticipated demand results in cycle time extending from 60 days to 75 days).
10 Layer 2 of the Open Systems Interconnection (OSI), associated with active fibre optic network infrastructure.
11 A Candidate Area is a town or city eligible for UFB.
12 A Point of Interconnection (POI) area is a specified group of UFB2 Candidate Areas.
13 A measure of data loss between two specified points.
14 There is some minor variation between service levels due to backhaul constraints as UFB2 towns can be a considerable distance from the POI. If a primary backhaul link fails, and a secondary link is placed in service, then Frame Delay can increase to 12 milliseconds whilst the secondary link is in use.
15 As per the CIP Telecommunications Forum measurement regime.
16 Layer 1 of the OSI Model, associated with passive fibre optic network infrastructure.

4.2 HEALTH AND SAFETY

CIP will ensure that it complies with its obligations under the Health and Safety at Work Act 2015. CIP is committed to the wellbeing, health and safety of its employees, its contractors and the community. CIP will continue to encourage its Partners to achieve zero serious harm injuries.

CIP will also continually seek to improve health and safety processes, awareness and compliance, across its own organisation and through its infrastructure delivery Partners, and will encourage its contractors to do the same.

CIP benchmarks the performance of Partners against key health and safety metrics such as the Total Recordable Injury Frequency Rate (**TRIFR**). The performance on TRIFR across Partners as at 30 May 2020 (on the basis of a rolling 12-month average) is shown below:

PARTNERS' PERFORMANCE AGAINST WORKPLACE HEALTH AND SAFETY BENCHMARK FOR TELECOMMUNICATIONS INFRASTRUCTURE DEPLOYMENT			
SAFETY METRIC	CIP	BENCHMARKS	
		NZ CONSTRUCTION	NZ MINING & UTILITIES
TRIFR ¹⁷	4.2	12	11

CIP also focuses on the health, safety and wellness of its own staff, and has a zero-harm environment.

Infrastructure delivery Partners have measures in place to stay below this threshold, and this will be reported on in CIP's Annual Report.



Ngunguru, Northland – The Rural Connectivity Group

17 A TRIFR of 10 means there were 10 total recordable injuries (including lost time injuries and medical treatment injuries) per one million hours worked. It is expected that TRIFR across UFB, RBI2/MBSF and Regional Digital Connectivity programmes for fiscal year 2020 should remain within a range of 3–5. This threshold reflects the increasing risk profile of the build programmes as work expands from cities into smaller towns and more remote rural areas.

5: KEY BUSINESS ASSUMPTIONS

5.1 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 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. CIP is a limited liability company incorporated under the Companies Act 1993 and is a Crown entity as defined by the Crown Entities Act. CIP is listed in Schedule 4A of the Public Finance Act 1989.

The purpose of the Company is to:

- (a) implement the government's objectives in relation to improving the performance and availability of, and access to:
 - (i) ultra-fast broadband;
 - (ii) rural broadband;
 - (iii) mobile voice and data coverage;
 - (iv) telecommunications backhaul; and
 - (v) 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;
- (b) act as a 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 procurement and delivery of radio and cellular network infrastructure and services; and
- (c) implement and/or facilitate funding and financing of infrastructure, including as provided for under the Infrastructure Funding and Financing Act (the IFF Act) (upon the IFF Act receiving Royal Assent), by co-investment with, or facilitating investment from, private sector or other participants, to achieve the government's objectives for:
 - (i) the provision of infrastructure for housing and urban development; and
 - (ii) the provision of other eligible infrastructure in accordance with the IFF Act; and
- (d) assist with the government's response to the COVID-19 pandemic by:
 - (i) providing assistance to the Infrastructure Reference Group (the IRG) in relation to:
 - i. advice to the government on issues affecting the construction industry as a result of the COVID-19 pandemic and the government's response to such issues;
 - ii. assessing proposals for projects that may be suitable for potential government support as part of COVID-19 response initiatives; and
 - iii. preparing reports and other advice as necessary to assist the IRG to carry out its purpose for the government; and
 - (ii) implementing, facilitating or otherwise assisting the government with any transaction, or class of transactions, or providing assistance with any other matter, in relation to any projects that are selected for government support, as agreed from time to time between the Company and the Shareholding Ministers.

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). Accordingly, CIP has designated itself as a PBE for the purposes of New Zealand equivalents to International Financial Reporting Standards (**NZ IFRS**). CIP is a public authority and so is exempt from the payment of income tax. Therefore, no provision has been made for income tax in CIP's financial statements.

5.2 BASIS OF PREPARATION

Statement of compliance

The prospective financial statements:

- are for the years ended 30 June 2020 and 30 June 2021;
- have been prepared in accordance with the Crown Entities Act, which includes the requirement to comply with New Zealand Generally Accepted Accounting Practice (**NZ GAAP**);
- comply with PBE FRS-42 Prospective Financial Statements and NZ GAAP as it relates to prospective financial statements; and
- were authorised for issue by the Board of Directors in June 2020.

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

Measurement base

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

Functional and presentation currency

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

New Zealand International Public Sector Accounting Standards

In fiscal year 2015, CIP adopted Tier 1 New Zealand International Public Sector Accounting Standards (**NZ IPSAS**) for PBEs. The prospective financial information in the Statement of Performance Expectations has been prepared with consideration of NZ IPSAS and NZ GAAP.

Standards and interpretations that are not yet effective and have not been adopted

There are a number of standards, amendments and interpretations issued but not yet effective that have not been adopted early.

5.3 NOTES TO THE ACCOUNTS

- i. **Interest income:** interest earned on cash balances with financial institutions, and imputed interest from financial securities;
- ii. **Grant income:** are the grants funded by the Telecommunications Development Levy and the Provincial Growth Fund for improving rural broadband connectivity, reducing mobile blackspots, providing fibre links to Haast and Milford, and digital connectivity to marae/Regional Digital Hubs (**RDHs**);
- iii. **Recoveries income:** is reimbursement for infrastructure project transaction costs incurred by CIP on behalf of a project. These costs are usually in the nature of establishment and financing costs directly attributable to a specific infrastructure project, and include NGCC costs.
- iv. **Fair value changes on investments:** gains and losses arising from changes in the fair value of CIP's investments, these include UFB investments, Milldale and other infrastructure investment;
- v. **Depreciation and amortisation:** depreciation charges on property, plant and equipment;
- vi. **Grant expenses:** these expenses are the cost of the RBI2/MBSF build that CIP is paying to RCG and 'wireless ISPs' (**WISPs**) funded from the TDL Levy for improving rural broadband connectivity, reducing mobile blackspots, providing fibre links to Haast and Milford, and digital connectivity to marae/RDHs.
- vii. **CIP funded expenses:** CIP funds RBI2/MBSF expenses that are not covered by Grant Funding, including site leases, 3G Opex and expansion Opex;
- viii. **Other company overheads:** administrative costs for CIP;
- ix. **UFB contribution - Chorus Equity Securities and Debt Securities and CCHL and NFL loans:** The difference on initial recognition between the fair value of the investment and the contribution by CIP represents CIP's and the Crown's contribution towards deployment by one of its Partners, Chorus, that is funded through the issue of debt and equity securities;
- x. **Cash and cash equivalents:** cash on hand with New Zealand's major trading banks. The large cash balance as at the end of the 2021 fiscal year is due to loan repayment from CIP's investments in LFCs (loans to LFCs) and equity repayment from CIP's investment in LFC equity.
- xi. **Loan to LFCs:** CIP invests in fibre infrastructure by way of loans to LFCs and the majority of CIP's investment was repaid in the 2021 fiscal year.
- xii. **Capital:** the Crown investment 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 \$115 million, being \$25m from fiscal 2019 and \$7m will be paid in fiscal 2021. CIP forecasts to call \$171.6 million and is expecting to receive the full amount in the same year plus the \$7m owing as at the end of fiscal 2020.

6: SIGNIFICANT ACCOUNTING POLICIES

6.1 FORECAST FINANCIAL STATEMENTS

The financial information contained below is prospective and, by its nature, contains assumptions which may lead to material differences between the prospective financial information and the actual financial results prepared in future reporting periods. CIP has undertaken a review of its financial models, and believes they remain fit for purpose in assisting CIP in preparing prospective financial information. Significant assumptions in the preparation of prospective financial information are for the investments in Chorus, CCHL, NFL, Milldale LP and any future infrastructure investments. The prospective information for Bulk Housing Infrastructure is subject to significant management judgement relating to the timing and quantum of the investments, and the prospective information reflects the best information available to management.

6.2 REVENUE

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

Grant Income is recognised on receipt of the grant funds from MBIE.

6.3 INVESTMENT IN CHORUS AND CCHL, NFL, AND MILLDALE

CIP's investment in CCHL, and NFL loans is categorised as a "loans and receivables" financial asset and is measured initially at fair value and subsequently at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest method. In CIP's financial statements, the investment in unlisted Chorus Equity Securities and Chorus Debt Securities is categorised as an available-for-sale financial asset and is measured at fair value. CIP's shares in NFL are shown as UFB shares in associates and are measured at fair value.

CIP part funded UFB for Enable through CCHL, who provided the funding to Enable Services Limited (UFB build Partner), who in turn advanced the funds to Enable Networks Limited to build of the UFB network. The advance can no longer be drawn on and is repayable in May 2022 and is secured over the assets of Enable Networks Limited.

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

6.4 INVESTMENT IN BHI

CIP's investment in BHI is categorised as a "loans and receivables", and the receivable is measured at fair value, and the loan is at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest method. In the build phase of BHI, interest expense is capitalised, and once build is completed interest expense will be recognised in the face of the statement of forecast comprehensive income.

In financial statements, the investment in unlisted equity securities of BHI is categorised as an available-for-sale financial asset and is measured at fair value.

CIP has a secured loan of approximately \$60 million, with a fixed interest rate for a 35-year period. The loan is secured over the BHI revenue stream, with recourse to the development lots through an encumbrance on the land. During the build phase of the development, the loan is capitalised against the asset.

6.5 CREDITORS AND OTHER PAYABLES

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

6.6 GOODS AND SERVICES TAX

All items in the financial statements are presented exclusive of goods and services tax (GST), except for receivables and payables, which are presented on a GST-inclusive basis. Where GST is not recoverable as input tax, it is recognised as part of the related asset or expense. The net amount of GST recoverable from, or payable to, Inland Revenue is included as part of receivables or payables in the statement of financial position. The net GST paid to, or received from, Inland Revenue, including the GST relating to investing and financing activities, is classified as operating cash flow in the statement of cash flows. Commitments and contingencies are disclosed excluding GST.

6.7 INCOME TAX

The Company is a public authority and consequently is exempt from the payment of income tax. Accordingly, no provision has been made for income tax by CIP in the Company's financial statements.

6.8 STATEMENT OF CASH FLOWS

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

- i. **cash and cash equivalents** comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily converted to known amounts of cash and are subject to an insignificant risk of changes in value;
- ii. **operating activities** are the principal revenue-producing activities of the Company and other activities that are not investing or financing activities;
- iii. **investing activities** are those activities relating to the acquisition and disposal of current and non-current investments, property, plant and equipment, intangible assets and other non-current assets; and
- iv. **financing activities** are those activities that result in changes in the size and composition of the contributed equity of the Company.

6.9 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

In preparing these financial statements CIP has made estimates and assumptions concerning the future, which may differ from subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management has exercised its judgement in respect of arriving at the fair values of its investments in Chorus and Milldale loans and receivables.

7: FINANCIAL STATEMENTS

STATEMENT OF FORECAST COMPREHENSIVE INCOME

FOR THE PERIOD 2020-2021

	Forecast FY20 \$000	SPE FY21 \$000
Income		
Interest income	36,246	47,165
Recoveries income	452	6,413
Grant income	68,112	106,112
Net fair value gains on derivatives	4,068	-
Gain in sale of investments in LFC	120	-
Total income	108,998	159,690
Expenses		
Directors' Fees	221	221
Personnel costs	5,947	6,368
Professional & Advisory Fees	5,369	5,501
Other expenses	1,679	2,347
Depreciation	72	82
Financing costs	472	390
Non Grant project expenses*	6,153	31,269
Grant project expenses	68,112	106,112
UFB contributions - Chorus Equity Securities	54,558	72,080
UFB contributions - Chorus Debt Securities	7,388	14,513
UFB contributions - LFC Loans	(2,201)	486
Fair value losses on FVTSD investments	16,609	32,216
Total expenses	164,379	271,585
Net surplus/(deficit)	(55,381)	(111,895)

*CIP funds this through returned funds and cashflow

STATEMENT OF FORECAST CHANGES IN EQUITY

FOR THE PERIOD 2020-2021

	Capital \$000	Retained earnings \$000	Total \$000
Closing balance 30 June 2019	1,334,900	(602,803)	732,097
Opening balance 1 July 2019	1,334,900	(602,803)	732,097
Net surplus/(deficits)	-	(55,381)	(55,381)
Capital contributions	97,000	-	97,000
Closing balance 30 June 2020	1,431,900	(658,184)	773,716
Opening balance 1 July 2020	1,431,900	(658,184)	773,716
Net surplus/(deficits)	-	(111,895)	(111,895)
Capital contributions	171,640	-	171,640
Closing balance 30 June 2021	1,603,540	(770,079)	833,461

STATEMENT OF FORECAST FINANCIAL POSITION

FOR THE PERIOD 2020-2021

	Forecast FY20 \$000	SPE FY21 \$000
Assets		
Current assets		
Cash and cash equivalents	36,594	247,570
Trade and other receivables	34,218	5,288
Work in progress	6,000	8,946
GST receivables	-	656
Prepayments	2	68
Total current assets	76,814	262,528
Non-current assets		
Property, plant and equipment	161	279
Investments in Infrastructure financed projects	25,053	45,048
Investment in LFC(s) equity	14,420	-
Investments in Chorus Equity Securities	266,617	295,407
Investments in Chorus Debt Securities	266,928	276,167
Loans to LFCs	162,593	8,416
Total non-current assets	735,772	625,317
Total assets	812,586	887,845
Liabilities		
Current liabilities		
Creditors and other payables	14,837	12,762
Employee entitlements	768	707
Total current liabilities	15,605	13,469
Non-current liabilities		
Borrowings	23,265	40,915
Total non-current liabilities	23,265	40,915
Total liabilities	38,870	54,384
Net assets	773,716	833,461
Contributed capital	1,431,900	1,603,540
Retained earnings	(658,184)	(770,079)
Total equity	773,716	833,461

STATEMENT OF FORECAST CASH FLOWS

FOR THE PERIOD 2020-2021

	Forecast FY20	SPE FY21
Cash flows from operating activities		
Interest received	1,627	525
Other receipts	452	6,413
Grant income received	46,780	151,437
Payments to suppliers	(8,195)	(13,032)
Payments to employees	(5,927)	(6,186)
Grant payments	(60,135)	(131,321)
Non Grant project payments	(6,153)	(31,269)
Goods and services tax (net)	595	(131)
Net cash outflow from operating activities	(30,956)	(23,564)
Cash flows from investing activities		
Purchase of property, plant and equipment	(164)	(200)
Acquisition of investment in Chorus Equity Securities	(131,627)	(90,104)
Purchase of work-in-progress	(6,000)	(2,946)
Acquisition of investment in Chorus Debt Securities	(36,488)	(28,134)
Acquisition of investments in LFCs	(11,804)	(921)
Proceeds from sale of investments in LFC	587	177,306
Gain on sale of equity investments in LFC	120	-
Acquisition of investments in Urban Development Infrastructure	(12,938)	(15,299)
Net cash outflow from investing activities	(198,314)	39,702
Cash flows from Financing activities		
Capital contribution - Crown	115,000	178,640
Proceeds from borrowings	13,705	17,650
Infrastructure receipts	500	899
Interest paid	(705)	(2,351)
Net cash inflow from financing activities	128,500	194,838
Net increase/(decrease) in cash and cash equivalents	(100,770)	210,976
Cash and cash equivalents at the beginning of the year	137,364	36,594
Cash and cash equivalents at the end of the year	36,594	247,570

APPENDIX: DIRECTORY

Shareholders

The Minister of Finance
The Minister for State Owned Enterprises

Registered office

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

Contact address

PO Box 105321
Auckland City
Auckland 1143, New Zealand

Email: info@crowninfrastucture.govt.nz
www.crowninfrastructure.govt.nz
Phone: +64 9 912 1970

Auditor

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

Solicitor

Bell Gully

Bankers

ANZ Bank New Zealand Limited
ASB Bank Limited
Bank of New Zealand Limited
Kiwibank Limited
Westpac New Zealand Limited

Senior Management

Graham Mitchell,
Chief Executive Officer

Sean Wynne,
Deputy Chief Executive Officer

Dougal Evison,
Finance Director

John Greenhough,
Chief Technology Officer

Kathryn Mitchell,
Chief Legal and Risk Officer

Nick Manning,
GM Government and Industry Affairs

Board of Directors

Mark Binns (Chair)
Bella Takiari-Brame
Danelle Dinsdale
Kerry Knight
Chris Gudgeon





