



Crown
Infrastructure
Partners

Hanga Ngātahi • Building Together



New Zealand Government
Te Kāwanatanga o Aotearoa

BUILDING TOGETHER

Hanga Ngātahi

ANNUAL REPORT 2021
FOR YEAR END 30 JUNE 2021



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“CIP IS NOW INVESTING APPROXIMATELY \$2.3 BILLION ACROSS A DIVERSE RANGE OF INFRASTRUCTURE PROGRAMMES AROUND AOTEAROA. EACH OF THESE INVESTMENTS PROVIDES JOBS, ECONOMIC STIMULUS AND INFRASTRUCTURE TO BENEFIT NEW ZEALANDERS”

UFB UPTAKE **65%** **+5%**

UFB CITIES/TOWNS COMPLETE **309** **+115**

UFB AVAILABILITY **1.76** **+74,182** million
HOUSEHOLDS + BUSINESSES

UFB POPULATION COVERAGE **85%** **+3%**

AVERAGE SPEED UFB CONNECTION **263Mbps** **+34Mbps**

RURAL BROADBAND COVERAGE TO DATE **67,606** **+15,702**
HOMES & BUSINESSES
80% OF TARGET

MOBILE TOWERS RURAL & BLACK SPOTS **268** **+142** TOWERS COMPLETE
46% COMPLETE

STATE HIGHWAY KM COVERED **877** **+248km**
45% COMPLETE

TOURISM SPOTS COVERED **70** **+20**
42% COMPLETE

MARAE CONNECTED **475** **+298** **+366**
445 WITH HARDWARE INSTALLED

INFRASTRUCTURE REFERENCE GROUP **45** PROJECTS
41 CONTRACTS SIGNED CIP PROJECTS

\$1.125bn
GOVERNMENT FUNDING COMMITTED CIP PROJECTS

CIP INFRASTRUCTURE REFERENCE GROUP PROJECTS

27 COMMENCED
1 COMPLETED

INFRASTRUCTURE PROJECTS

11 TRANSPORT PROJECTS
\$198.5m

11 HOUSING PROJECTS
\$19.7m

5 SERVICES PROJECTS
\$13.8m

11 COMMUNITY PROJECTS
\$179.8m

3 ENVIRONMENT PROJECTS
\$3.3m

3 WATERS INFRASTRUCTURE

123km DRINKING WATER PIPES
47% OF PROJECTED

34km WASTEWATER PIPES
22% OF PROJECTED

12 WATER TREATMENT PLANT UPGRADES
4% OF PROJECTED

60 WASTEWATER TREATMENT PLANT UPGRADES
14% OF PROJECTED

3 WATERS ASSETS FUNDED

DRINKING WATER **\$81.4m**
29% OF PROJECTED

WASTE WATER **\$53.7m**
23% OF PROJECTED

STORM WATER **\$6.6m**
25% OF PROJECTED

TECH & DESIGN **\$35.5m**
30% OF PROJECTED

NET EARNINGS **\$43.7m**

\$134m **↑** BETTER THAN BUDGET
This is the total comprehensive income for the Company.

INFRASTRUCTURE INVESTMENT TO DATE **\$2.04bn** **+\$450m**

HEALTH & SAFETY **4.65** **↑** UP 0.65
TRIFR TOTAL RECORDABLE INJURY FREQUENCY RATE

REPORT OF THE CHAIR AND CHIEF EXECUTIVE

2021 CHALLENGES & CHANGE



THE CHALLENGES FROM COVID-19 THAT FACED AOTEAROA IN 2020 CONTINUE, WITH THE RECENT COVID ALERT LEVEL CHANGES IN 2021. CROWN INFRASTRUCTURE PARTNERS' (CIP'S) PROGRAMMES OF WORK HAVE BEEN CONTRIBUTING TO NEW ZEALAND'S RESPONSE TO THE PANDEMIC THROUGH PROVIDING ESSENTIAL CONNECTIVITY, ECONOMIC STIMULUS AND BENEFITS TO NEW ZEALANDERS THROUGH NEW AND UPGRADED INFRASTRUCTURE.

Following the significant expansion of CIP's responsibilities in 2020, CIP has been implementing a range of new and existing infrastructure programmes on behalf of the Government.

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

CIP is now investing approximately \$2.3 billion across a diverse range of infrastructure programmes around Aotearoa. Each of these investments provides jobs, economic stimulus and infrastructure to benefit New Zealanders.

Hanga ngātahi (building together) describes the importance to CIP of working with its delivery partners to achieve its goals. CIP has various partnerships with the private sector, local government, iwi, and charitable trusts. Hanga ngātahi also refers to the role that infrastructure can play to support tangata whenua.

INFRASTRUCTURE REFERENCE GROUP PROGRAMME

CIP manages the co-ordination and implementation (along with other government agencies) of the Infrastructure Reference Group (IRG) programme, with a total of approximately \$2.4 billion to be invested by the Government into infrastructure, and co-funding of \$1.6 billion, bringing the total investment to approximately \$4.1 billion across 239 projects. This programme supports Aotearoa's economic response to the COVID-19 pandemic.

IRG projects benefit the transport, housing, environment, services and community sectors, and involve working with a large number of delivery partners. CIP is implementing 45 projects, and as at year end, 41 of these have been contracted, committing approximately \$1.1 billion of Government funding. At the date of writing, there are 41 CIP projects which have commenced construction (one of which has already been completed), \$224 million invested and are supporting 4,640 workers.



“HANGA NGĀTAHI (BUILDING TOGETHER) DESCRIBES THE IMPORTANCE TO CIP OF WORKING WITH ITS DELIVERY PARTNERS TO ACHIEVE ITS GOALS”

INFRASTRUCTURE FUNDING AND FINANCING

The tools provided under the Infrastructure Funding and Financing Act 2020 (the IFF Act) provide legislative support for funding a range of infrastructure types. CIP is acting as the ‘facilitator’ in relation to the infrastructure funding and financing programme, and work is currently underway with councils, developers, government officials and other stakeholders. CIP is currently focused on three infrastructure financing projects with a total value of approximately \$800m.

Infrastructure to support the Milldale development, north of Auckland, is being deployed under a partnership between Auckland Council Group, Fulton Hogan Land Development and the Accident Compensation Corporation (ACC). Sections for just under 800 housing unit equivalents have now been enabled, and approximately 600 homes have been built or are under construction. As at 30 June, CIP has paid \$33.6 million towards infrastructure to support this development.

3 WATERS PROGRAMME

CIP is working closely with the Department of Internal Affairs (DIA) to oversee councils’ performance in implementing water infrastructure upgrades under the Government’s \$523 million 3 waters reform programme. These infrastructure investments support the Government’s vision of improved drinking-water quality for all New Zealanders and decreasing waste water outflows to our waterways.

As at 30 June, the Government funded \$146 million of council investment in 3 waters infrastructure including upgrading 123 kilometres of drinking water mains, 34 kilometres of waste water pipes, 12 drinking water treatment plants and 60 wastewater plants.

ULTRA-FAST BROADBAND PROGRAMME

The UFB programme will provide fibre to the premises to 86% of the population and 412 cities and towns across Aotearoa by 2022. The programme has now covered more than 1.8 million households and businesses (85% of the population) across 309 cities and towns, including all urban schools and hospitals.

CIP invested \$133.5 million in UFB in FY21 and has invested \$1.6 billion to date. During the year \$179 million of funds was returned from delivery partners, bringing the total to \$391 million of funds returned to date, which have been recycled into further UFB and rural broadband investment.

New Zealanders continue to connect to UFB at much higher rates than originally forecast, with uptake at over 65%, average speeds of 263 Mbps, 18% of customers taking the 1 Gbps product and speeds of up to 8 Gbps being available.

The value of having fibre connectivity has been demonstrated during the various COVID-19 lockdowns. The UFB network has continued to operate with no congestion and supports the significant increase in remote working and videoconferencing.

REGIONAL DIGITAL CONNECTIVITY PROGRAMMES

CIP invested \$101.7 million in regional digital connectivity throughout Aotearoa in FY21.

The rural broadband and mobile black spots (MBS) programme is making broadband and mobile coverage available to rural communities, with more than 67,600 rural homes and businesses (80% of the programme target) now able to access improved broadband. In addition, close to 880 kilometres of State Highway black spots (62% of the target) and 70 tourism sites (42% of the target) now have access to mobile coverage from all three mobile network operators where previously there was none. At 30 June, 268 mobile towers were deployed, which is twice as many as the total in last year’s Annual Report. The programme is on track and making good progress.

The marae digital connectivity programme continues to be very popular. The number of eligible marae applying to be connected continues to increase (with 591 applications at 30 June). 445 marae had hardware installed (a significant increase over last year), bringing benefits to iwi and hapū.

The deployment of the West Coast fibre link is progressing well. At 30 June, 206 kilometres of fibre has been rolled out, being 56% of the overall target (including the Southland fibre link), and work is now underway on the Southland fibre link.

CIP is implementing the IRG rural capacity upgrades programme, with \$50 million funding to address rural mobile connectivity issues that arose during the COVID-19 lockdown, including increased broadband capacity to areas that are experiencing congestion, and further funds going to connect broadband to more marae. This is in addition to the existing \$15 million capacity upgrade programme, under which 67 mobile towers have been upgraded in FY21.

PUBLIC SAFETY NETWORK

CIP is the infrastructure procurement delivery partner (in conjunction with the Next Generation Critical Communication group of the New Zealand Police) for the Public Safety Network, an upgrade to the existing mission critical communications networks used by emergency services. A network procurement request for proposals was undertaken in the second half of FY21 and responses are being evaluated.



Hawkes Bay Regional Aquatic Centre

FINANCIAL AND STATEMENT OF PERFORMANCE EXPECTATIONS RESULTS

CIP exceeded its Statement of Performance Expectations financial targets in FY21, and achieved or exceeded all other targets except those in the infrastructure funding and financing area, which were mostly achieved.

CIP’s net gain before fair value movements on investments was \$13.9 million compared to a planned net loss of \$58.1 million. CIP’s net gain for the financial year was \$43.7 million compared with a planned net loss of \$90.9 million for the year. The significantly positive variance is largely due to the timing of the accounting recognition of grant income and expense and declining interest rates, resulting in favourable fair value movements of CIP’s investments.

In the year CIP called \$70 million of capital from the Government for UFB, and \$3.5 million of capital for infrastructure financing. CIP received grant income from the Government of \$66.8 million from the Telecommunications Development Levy, \$44 million from the Provincial Growth

Fund for the regional digital connectivity programmes, and \$1 billion from the IRG grants. \$11.4 million was drawn from the ACC debt facility to fund Milldale infrastructure.

Christchurch City Holdings Limited paid CIP \$159.7 million as full repayment of its UFB loan, Northpower purchased CIP’s remaining A-shares in Northpower Fibre Limited for \$18.9 million.

During FY21, CIP invested \$450 million in its connectivity and infrastructure programmes and currently has total investments in infrastructure partners of \$1.3 billion. CIP has invested over \$2 billion to date.

WORKPLACE HEALTH AND SAFETY AND STAFF

CIP has a small, dedicated team and retains very good staff engagement. CIP continues to focus on staff wellbeing and development, consistent with the Government Workforce Policy Statement. The successful achievement of CIP’s strategic objectives depends on adequate strong workforce capability in a number of areas, including those relating to technical, commercial, financial and investment expertise.

It is important that CIP retains skilled staff, is a good employer and offers an attractive place to work.

The Total Recordable Injury Frequency Rate for the digital connectivity programmes for the year to June 2021 was 4.65, which was an increase on the previous year (4.0 for FY20). Delivery partners advised CIP of 35 recordable injuries in total versus 34 for FY20. The number of hours worked notified to CIP by delivery partners for the period was 7.5 million, a drop from 8.5 million hours worked in FY20, due to UFB deployment decreasing and more emphasis on connections.

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

OUTLOOK FOR 2022

The outlook for 2022 will see CIP making significant investments in and overseeing a wide range of infrastructure deployment projects throughout Aotearoa.

We expect that a significant number of IRG projects will be underway, with CIP continuing its co-ordination and oversight of the programme. CIP will continue supporting DIA for 3 waters infrastructure investment, and will be advancing infrastructure funding and financing projects and opportunities under the

framework of the IFF Act. Investment will continue in the deployment of the UFB network, rural broadband improvements, mobile black spot coverage, marae connectivity and the West Coast and Southland fibre link deployments. CIP will continue to work with the emergency service agencies in advancing the Public Safety Network.

CIP is pleased that its responsibilities benefit New Zealanders and are actively contributing to Aotearoa's response to the COVID-19 pandemic. CIP extends its appreciation in particular to its various partners, including all the individuals and organisations who have contributed to the ongoing success of its programmes.

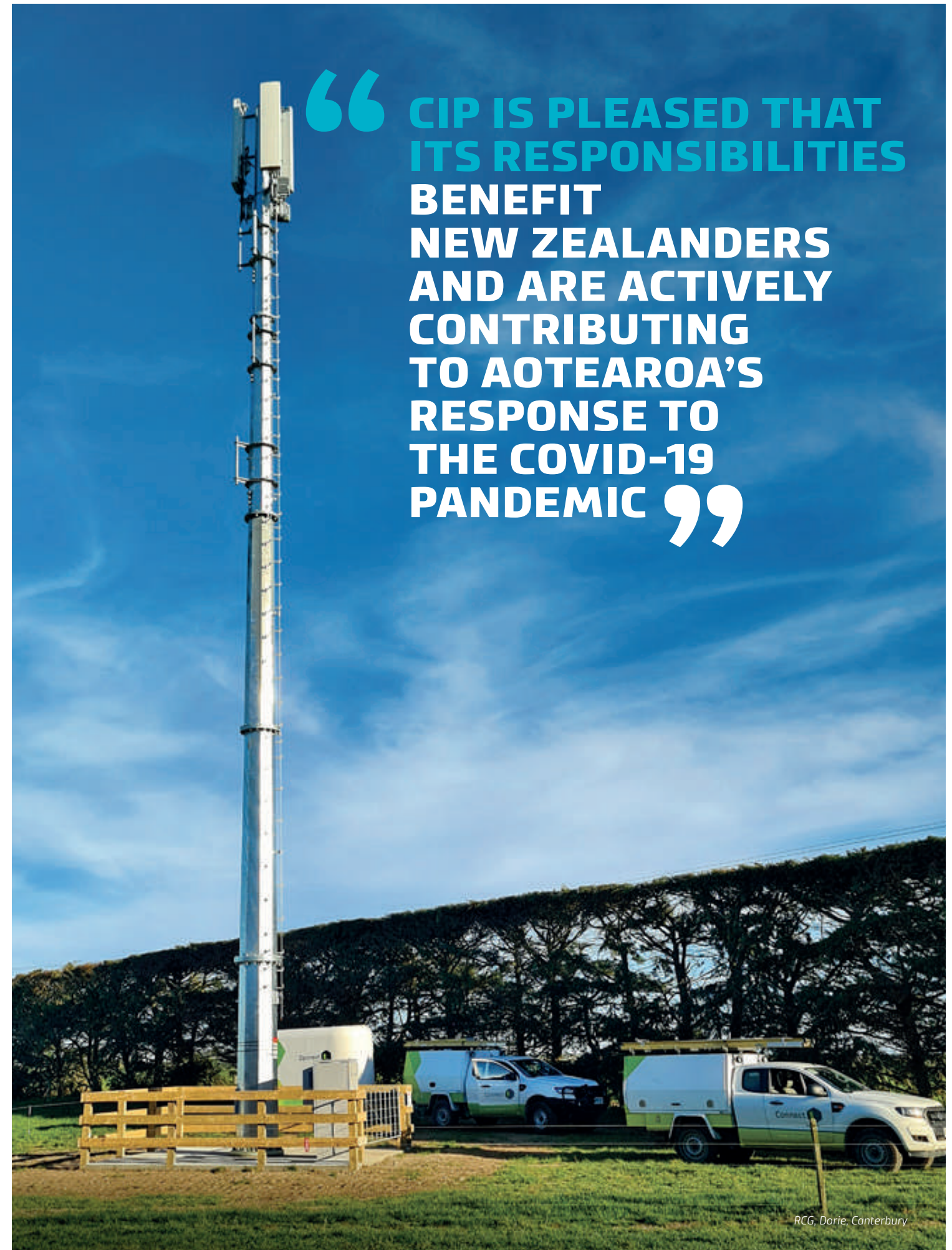


Mark Binns
Chair
10 December 2021



Graham Mitchell
Chief Executive
10 December 2021

“CIP IS PLEASED THAT ITS RESPONSIBILITIES BENEFIT NEW ZEALANDERS AND ARE ACTIVELY CONTRIBUTING TO AOTEAROA'S RESPONSE TO THE COVID-19 PANDEMIC”

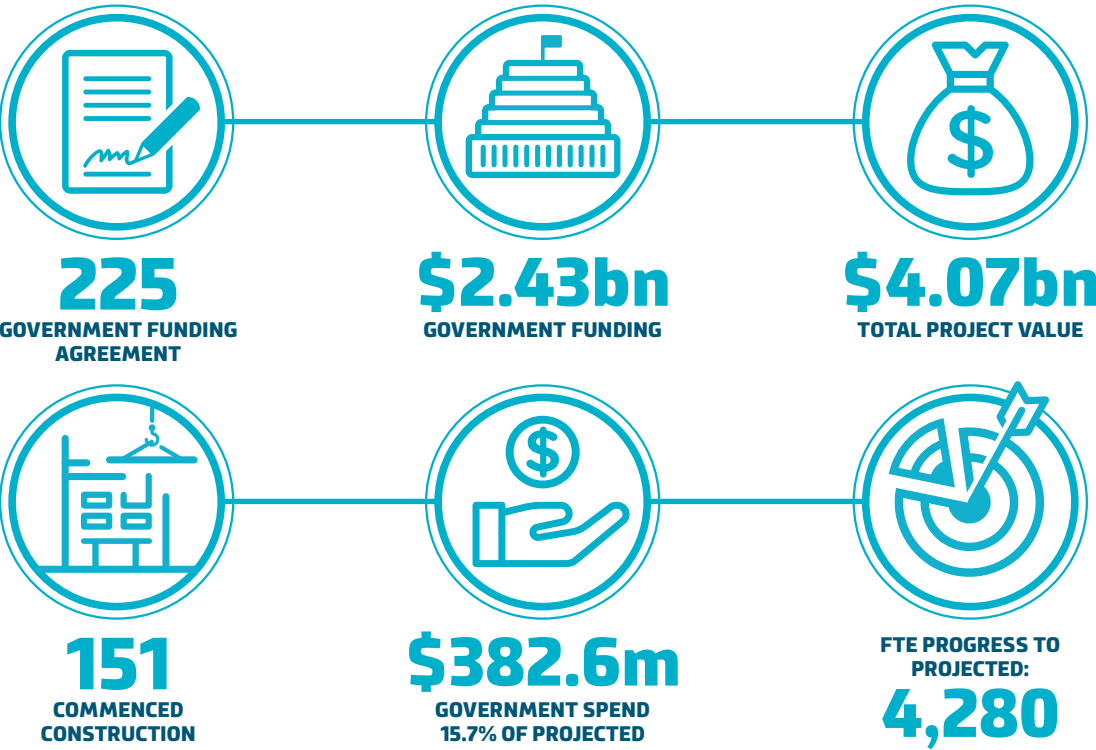


PROGRAMMES

INFRASTRUCTURE REFERENCE GROUP PROGRAMME

In April 2020, in the midst of Aotearoa’s first COVID-19 lockdown, the Government tasked a group of industry leaders to seek out infrastructure projects that were ready to start as soon as the construction industry returned to normal, in order to reduce the economic impacts of the COVID-19 pandemic.

INFRASTRUCTURE REFERENCE GROUP PROJECTS WHOLE PROGRAMME



The Infrastructure Reference Group (IRG) was set up in April 2020, consisting of highly experienced infrastructure leaders. Following a short period for submission of projects, the IRG received proposals for 1,924 projects, of which 802 met the criteria. The IRG then put projects forward to the Minister of Finance and the Minister for Infrastructure that would have an immediate stimulatory effect on the construction and infrastructure sectors, the workforce and the economy, and also included a mix of smaller projects that could deliver direct and immediate benefit to the regional economies and communities in which they were based. The Ministers then made final decisions on projects to be included in the IRG programme.

With a total project value of \$4.1 billion for the 239 included projects, the Government has approved funding as at 30 June 2021 of \$2.4 billion.

The Ministers allocated IRG projects to a number of government agencies and organisations based on areas of expertise. They allocated 45 projects to CIP to deliver, totalling approximately \$1.3 billion. The Ministers also requested that CIP carry out a co-ordination role for project approval and reporting among all the agencies and organisations involved.



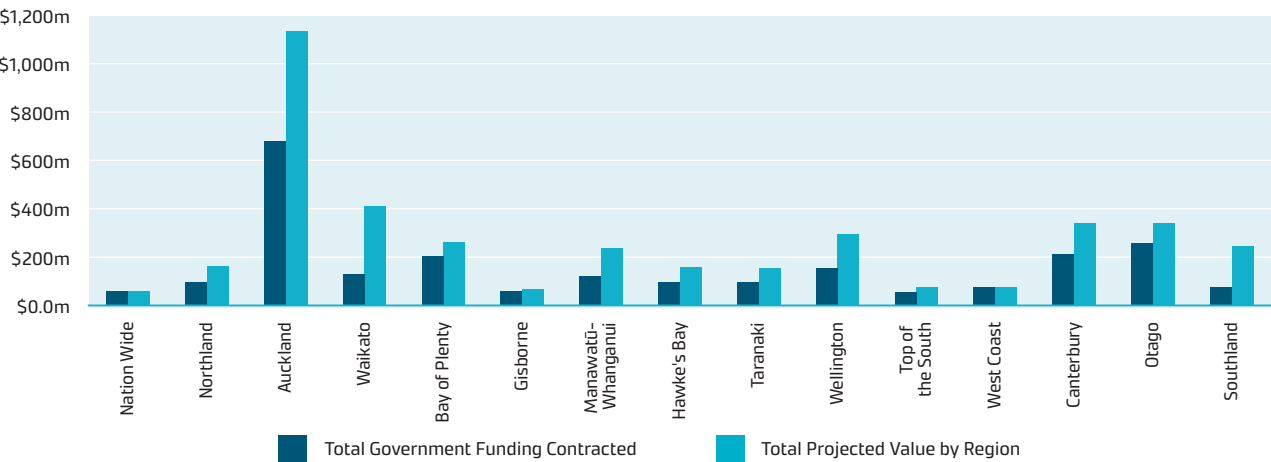
University of Auckland



Queenstown town basin upgrade

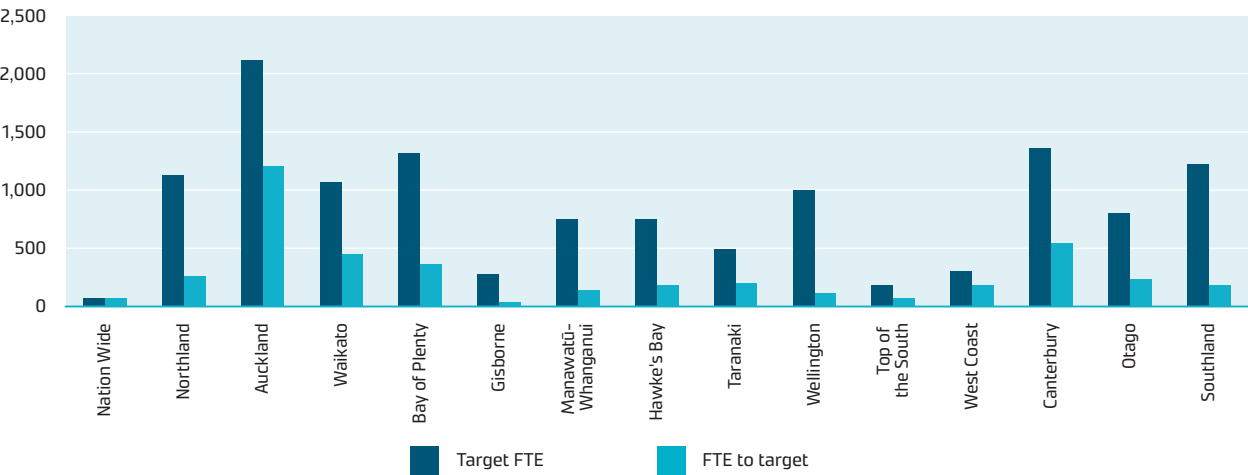
PROGRAMMES

TOTAL GOVERNMENT FUNDING CONTRACTED
AND TOTAL PROJECT VALUE



Total projected value is deemed on the same basis, therefore it is the total value of contracted projects

FTE PROJECTED AND PROGRESS TO PROJECTED



DELIVERY AGENCIES FOR THE INFRASTRUCTURE REFERENCE GROUP PROGRAMME:



“ WITH OVER 150 PROJECTS UNDERWAY AND 20 COMPLETED, IT IS CLEAR TO SEE THE PROGRESS BEING MADE AND BENEFITS TO NEW ZEALANDERS ”



PROGRAMMES

INFRASTRUCTURE FINANCING

CIP continues to support infrastructure to enable housing and urban development through the implementation of alternative financing models. In August 2020 the Government enacted a new legislative tool, the Infrastructure Funding and Financing Act (IFF) and appointed CIP to the role of facilitator.

As the facilitator, CIP has worked with councils throughout the country to understand the constraints facing large-scale housing and urban-development projects. CIP has developed a pipeline of projects that will benefit from financing through a model such as IFF over the next decade.

CIP's recent focus has been on identifying and advancing the most viable projects that can be used under the IFF model. A small number of projects have been identified. These projects are large and complex and consequently have long lead times.

CIP continues to support councils to progress the medium to long-term projects in the pipeline. CIP is progressing three projects with councils in this space with a total value of approximately \$800m.

MILLDALE

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 ACC, which was executed in October 2018.

Milldale continues to proceed at a steady pace. Sections for just under 800 housing equivalent units have now been enabled and approximately 600 homes have now been built or are under construction. The project to build the Weiti bridge and road connecting Milldale to Old Pine Valley Road is now complete and open to traffic. The local pre-school is open, and plans for construction of the local school are underway with the Ministry of Education. To date, \$33.6 million has been invested into infrastructure through this financing.

CIP'S PARTNERS FOR THE MILLDALE TRANSACTION ARE:



The Auckland Council Group (which includes council-controlled organisations) 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, they 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 Limited 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. Fulton Hogan Land Development is developing the Milldale area and is constructing the bulk housing infrastructure financed through CIP's Special Purpose Vehicle.



ACC's investment portfolio exists to support the administration of the country's universal no-fault accidental insurance scheme. 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).



Stage 3 of Milldale Housing Development



Weiti Bridge providing a second entry point into the Milldale Development from the South

PROGRAMMES

3 WATERS INFRASTRUCTURE PROGRAMME

The 3 waters investment aims to stimulate recovery and help provide infrastructure funding to improve drinking water and waste water outcomes.

The Government is funding \$523.1 million to 67 local authorities to invest in improved drinking-water quality, wastewater treatment network renewals, and stormwater networks.

The Government's funding priorities are for investment into drinking water and wastewater infrastructure first, and then stormwater.

Each local authority has determined the 3 water infrastructure investment most needed in its area and is managing the delivery of the programme, targeted to be complete by March 2022 (subject to COVID-19 impacts).

The programme is made up of 461 discrete projects or programmes of work from the Far North to the deep south and east as far as the Chatham Islands.

DIA has appointed CIP to monitor the delivery of these infrastructure investments, identify any opportunities for economies of scale, monitor potential regional or national shortages and assist where problems arise. CIP monitors council delivery, provides quarterly reports to DIA, releases public quarterly reports on progress, and recommends funding claims by local authorities to DIA.



Pipe Laying using mole plough technique on Mt Alexander, Glendhu in the Hurunui District

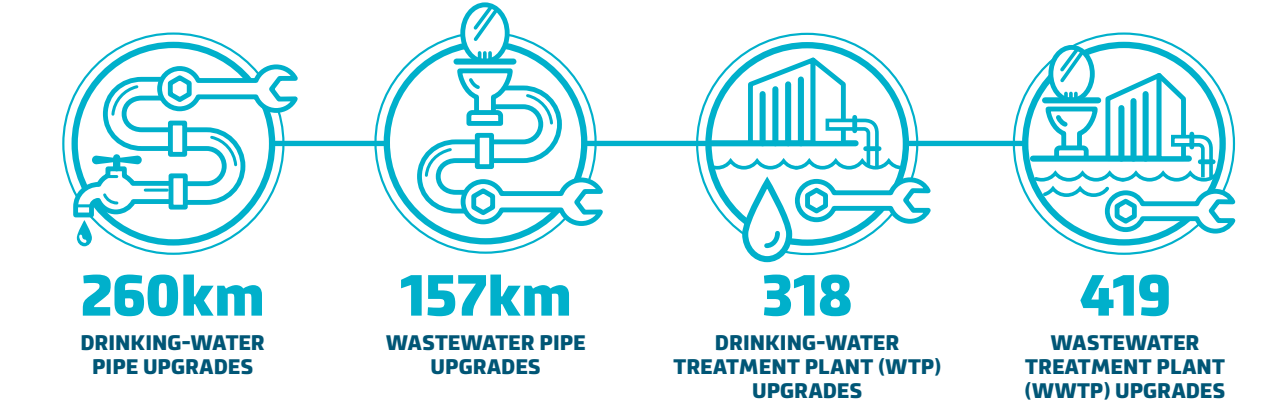


Left: Southland DC - Waianiwa SW Renewal, Right: Dunedin CC - Waikouaiti

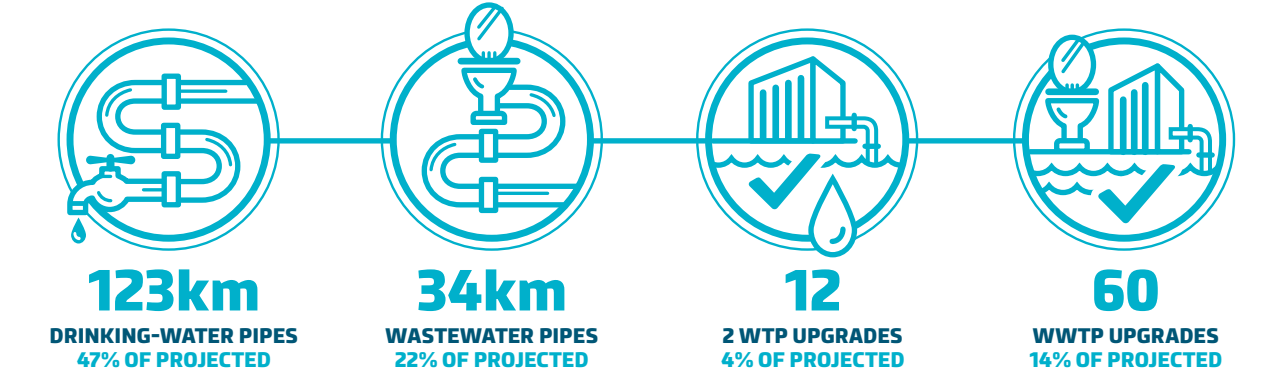
TOTAL COMBINED SPEND BY INFRASTRUCTURE TYPE



NATIONAL MAJOR INFRASTRUCTURE PROJECTED



PROGRESS AT 30 JUNE 2021



PROGRAMMES

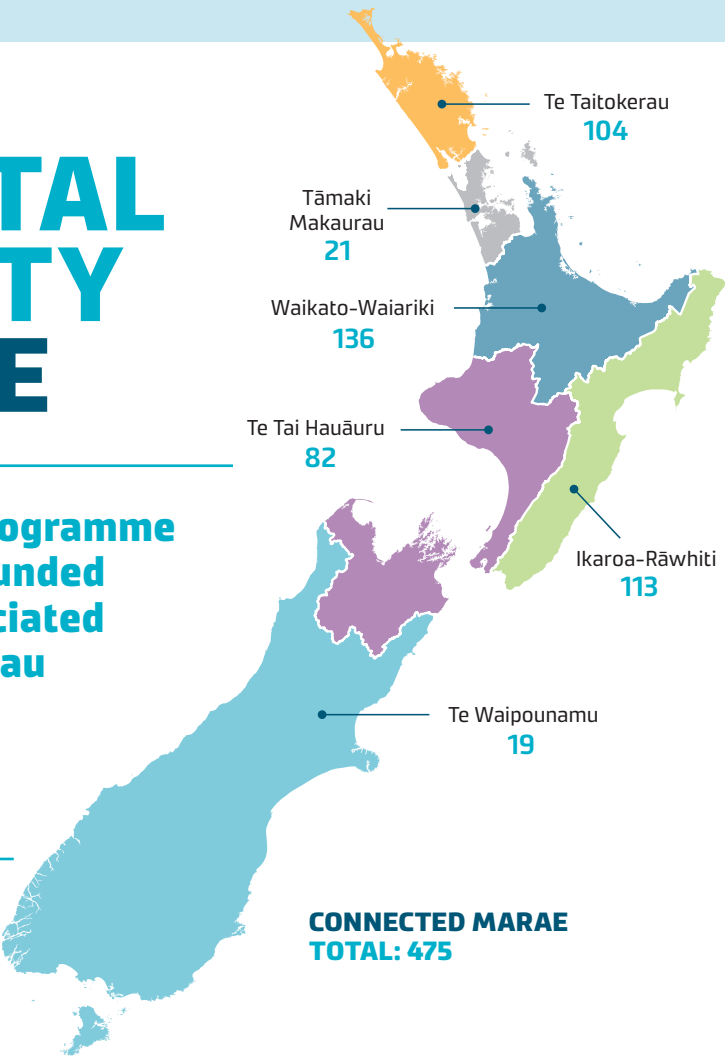
MARAE DIGITAL CONNECTIVITY PROGRAMME

The marae digital connectivity programme enables marae to receive grant-funded broadband connections and associated hardware that will support whānau and hapū to undertake economic activity and enhance their digital capabilities.

The marae digital connectivity programme provides the fastest available broadband connection to marae across Aotearoa.

The digital hardware that is installed allows for video conferencing for virtual hui and remote communications, and marae are provided with the technical support they need in order to utilise these services.

Marae report extensive use of the connectivity during COVID-19 Alert Levels 4 and 3, with cars parking outside the marae to use the Wi-Fi safely and marae custodians reviewing the CCTV footage to check distancing and safety protocols. Further examples include digital hui, digital kapa haka classes, hapū members using the marae as a 'business hub', tamariki doing digital homework and hapū members using the Wi-Fi for everyday activities such as Work and Income appointments, banking, shopping, school assessments and submitting job applications. It is pleasing to see marae being revitalised as local digital hubs as a result of this programme.



Te Puni Kōkiri is managing the application process, as well as the engagement with marae whānau and hapū, and Kānoa has oversight.

At the time of print Aotearoa is in another COVID-19 lockdown, making it even more important to provide connectivity to tangata whenua.

Latest reports show:

- more than 3,200 network infrastructure elements such as network switches, routers, access points and cameras deployed to marae; and
- total volume of data utilised - 38 terabytes (23 download, 15 upload)

PROGRESS AT 30 JUNE 2021



877
ELIGIBLE MARAE



616
APPLICATIONS



475
CONNECTIONS



445
HARDWARE
INSTALLED



Tuatini Marae - Tairāwhiti

Hatea-a-Rangi School in Tokomaru Bay was damaged after heavy rain hit the Tairāwhiti region in June 2021. The nearby Tuatini Marae was connected under the marae digital connectivity programme in July 2020 and has a fast broadband connection and associated hardware. The school's 29 students were planning to learn from the Tuatini Marae at least until the end of term. This is a perfect example of enabling whānau and hapū to continue learning in their communities.

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.



Kānoa - Regional Economic Development & Investment 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 fire sensor installations in marae for the marae digital connectivity programme.

WIRELESS INTERNET SERVICE PROVIDERS (WISPs) AND SATELLITE PROVIDERS

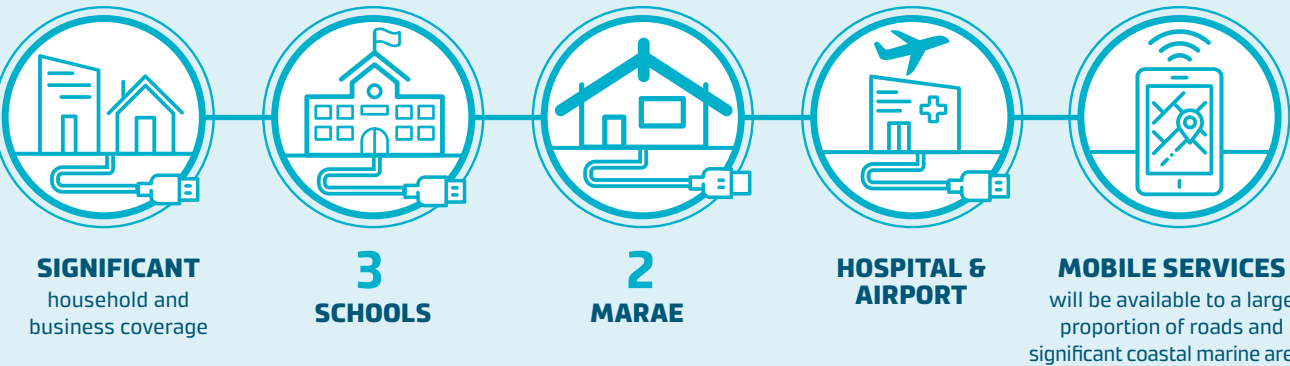
Regional WISPs and other satellite providers are responsible for installing broadband in marae. CIP is working with the following for this programme of work: Gisborne Net, Gravity, AoNet Broadband, Lightwire, Farmside, Uber, Inspire Net, Primo, Wifi Connect and Evolution Networks.

CASE STUDY 2021

CHATHAM ISLANDS RECEIVE FIRST-EVER MOBILE NETWORK

Five new mobile towers are now standing proud in their Chatham Island home.

CHATHAM ISLAND BROADBAND AND MOBILE COVERAGE



The new 4G mobile telecommunications network is part of the Rural Broadband Initiative Phase 2 and has been built by RCG and a Downer construction team. The five mobile towers are positioned around the island to maximise broadband coverage to residents on both Chatham Island and Pitt Island, while also taking 4G mobile coverage to the majority of the island's roads.

RCG is on schedule to have the network completed and switched on in November 2021 (subject to COVID-19 impacts). It will deliver services from Spark, Vodafone and 2degrees. Not only is this the first time Chatham Island will have mobile coverage, but locals will have the choice of all three mobile operators for their mobile and broadband services.

This investment has also allowed the build of a new satellite dish and satellite link, providing 8.5 times the capacity of the current satellite link serving the island. This is fundamental to improving broadband speeds for residents and allows 4G fixed wireless broadband for almost all households and businesses

AS WELL AS DELIVERING RELIABLE, FAST BROADBAND, MOBILE PHONE SERVICES WILL ALSO BE AVAILABLE TO THE ISLAND FOR THE FIRST TIME.

on the islands. The new satellite link will provide the 'backhaul' of mobile and internet traffic to New Zealand and to the world.

The five new towers will support three panel antennas each, radio access network equipment and digital microwave dishes. The tower on Manukau Station also has a high gain antenna to provide coverage to Pitt Island.



The first site connected to the Chatham Islands electricity network was the site at Pukekio. The five new towers are shown above.

CASE STUDY 2021 *Continued*

RCG worked with CIP, the Chatham Islands Enterprise Trust, the Kaingaroa Trust, the Hokotehi Moriori Trust, Chatham Islands Electricity, Ngāti Mutunga o Wharekauri, local landowners and the Chatham Islands Council to scope and design the new telecommunications network.

The Chatham Islands are positioned in the ‘roaring forties’ latitude and in a windswept, harsh, coastal environment. The network design had to consider the tremendous wind load on each facility, as well as the footings required due to the unique ground conditions, such as the peat fields encountered around the island.

The project priority is to deliver reliable, fast broadband, and because it is being delivered over a cellular network, mobile phone services will also be available to the island for the first time. The mobile coverage will extend into the marine territory, providing support for farming, tourism and the fishing industry, the island’s main source of employment and income.

“The Chatham Islands rely on the fishing industry and the safety of our people at sea is paramount. The fishing workers are at sea for days at a time, and having broadband and mobile coverage will enable them to keep in touch with their families, and the fish market, as well as achieve Ministry for Primary Industries compliance by being able to submit their daily catch reports,” says George Ririnui, MPI Fisheries Officer on the Chatham Islands.

Mayor Monique Croon is excited about the new mobile network, knowing that the addition of mobile coverage to the island’s roading network will provide peace of mind for residents. “Locals will no longer have to sleep overnight in their cars in the case of a breakdown or accident and wait for daylight to seek help. Help will be just a phone call away at any time of day or night.”

New Zealanders are flocking to the island to enjoy the unique landscape and way of life, especially since Aotearoa’s borders

have been shut since 2020. “Being able to keep track of our tourist operations and keep people safe as they travel the island is going to be a huge advantage, ultimately enhancing the visitor experience,” says the Mayor.

“We created a dedicated team to work on the Chatham Islands project to ensure we understood the unique challenges, developed clever solutions to them and could build the entire network within a short timeframe,” says John Proctor, CEO of RCG. “Our team have got close to the local people and are really grateful for their support in bringing the project to fruition so quickly. We are building this network to improve life for the locals, so it is wonderful to have had their input and support from the beginning.”

Eutelsat is providing the satellite link to the island and RCG also worked with Downer NZ to deliver the satellite station and five mobile cell sites. The steel poles were designed and manufactured by CSP Pacific, taking into account the wind-swept environment on the island. To ensure a robust network on the island, the five cell sites are linked with diverse paths, so any fault on a particular site can be isolated and still allow the other sites to operate. The internal linking is being delivered by Ultimate Broadband, a WISP based in Canterbury.

Reliable broadband and mobile services are essential for emergency management, such as in the COVID-19 Level 4 lockdown that also affected the Chatham Islands. “We need these services to connect our people who are isolated and need our support,” says Owen Pickles, Council CEO and long-term civil defence stalwart. “The new network is important for our families to contact emergency services in the case of an accident, fire or other emergency. Our residents will be better informed of potential hazards related to events, such as earthquakes, tsunamis and civil defence warnings and have an immediate ability to report any criminal activity.”



RCG tower to serve Owenga and Pitt Island residents on Manukau Station



Chatham Island new Satellite Earth station

PROGRAMMES

DIGITAL CONNECTIVITY PROGRAMMES

Improving broadband resilience and capacity.

HAAST/MILFORD SOUND FIBRE LINKS

CIP has partnered with Chorus to deploy two new fibre links in the West Coast, Otago and Southland.

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

This is important work as it will provide improved network resilience for the whole of the West Coast and lower South Island. Already more than 206 kilometres of the West Coast fibre link have been deployed – this is 56% of the overall target for the links complete at 30 June 2021.

The Haast fibre link will provide an alternative route to existing networks, and fibre connectivity to the 19 mobile towers being built along State Highway 6 by RCG under the Rural Broadband Initiative/ Mobile Black Spots programme. It will also mean the Haast township on the West Coast will get access to Ultra-Fast Broadband.

The West Coast fibre link starts in Hawea and traverses State Highway 6 westward to Haast, then north up the



Diggers at work laying underground duct for the fibre on Haast Highway

State Highway to Fox Glacier township – a total distance of approximately 240 kilometres.

The Southland fibre link starts in Te Ānau and traverses north and west along State Highway 94 and into Milford Sound for 120 kilometres.



West Coast Fibre Link – 240km



Southland Fibre Link – 120km



Helicopter laying fibre on an aerial section of the route



Erecting a pole for an aerial fibre river crossing, Jacobs River

CAPACITY UPGRADES

CIP contracts with all three mobile network operators to deploy capacity upgrades for mobile towers that have become congested. 67 towers have been upgraded in the year.

The Government approved funding for these mobile tower capacity upgrades as part of a response to connectivity issues and significantly changed demand patterns experienced during and since last year's COVID-19 Alert Level 4 lockdown.

The programme has already provided improved rural broadband services to households and businesses served by the 67 upgraded mobile towers, including rural areas around towns such as Tīrau in Waikato, and Kaitiāia in the Far North.

At the time these mobile towers were built, the significant demand for broadband and growth in the number of

households in some rural areas was not anticipated. With more people working and learning from home and general population growth, the demand on the capacity of these towers has increased (resulting in some towers going into 'stop sell' where no new connections can be supported).

The impact of stop sells and congestion on households and businesses is a significant restriction on the ability to work from home, conduct home schooling, engage in e-commerce, connect with whānau, keep updated on events and access entertainment.

A second round of funding has been secured for further capacity upgrades under the IRG programme. The additional \$50 million aims to address more of those capacity shortfalls. The programme will target stop-sell areas first.

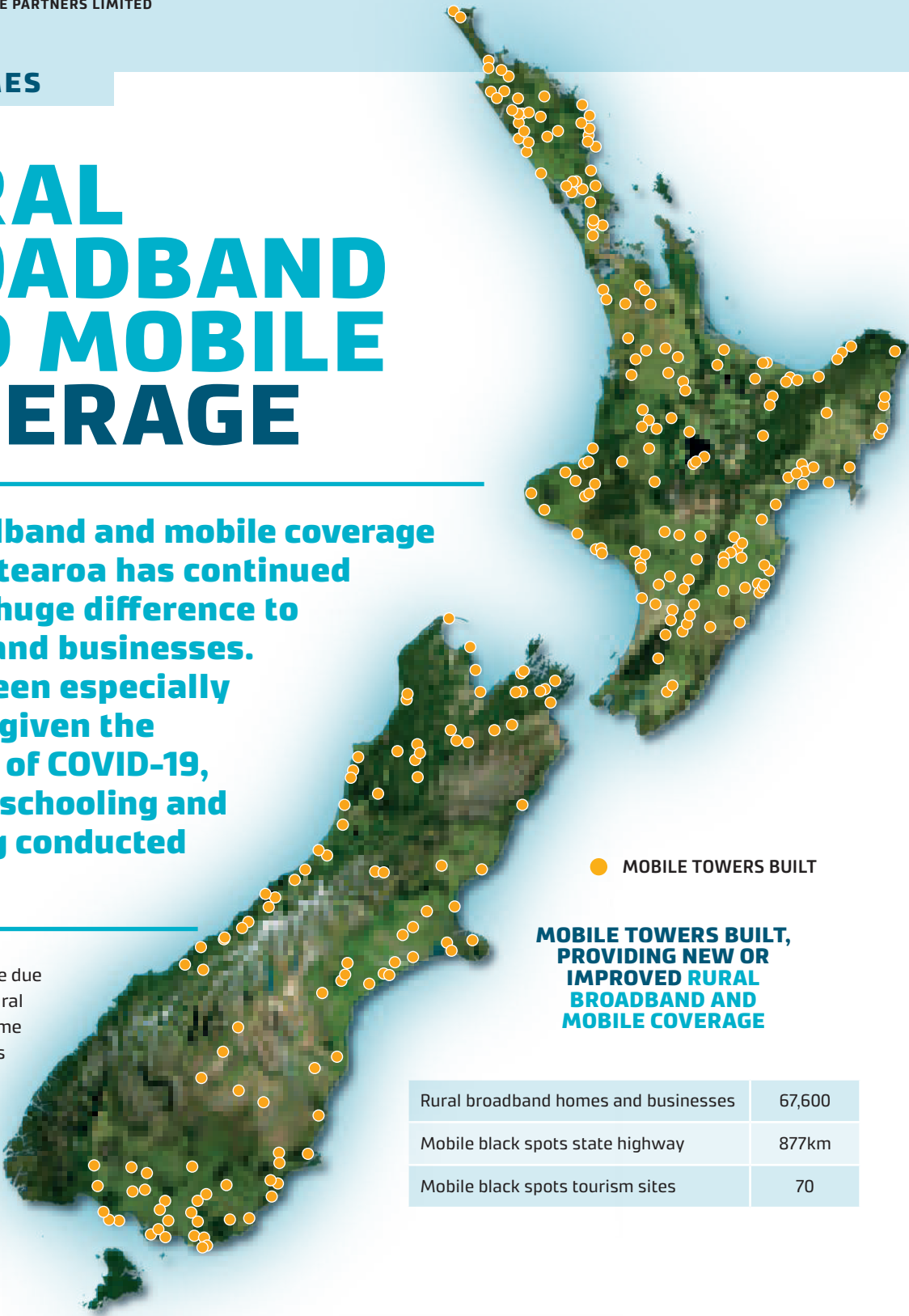
CIP is underway with negotiations in relation to this second round of funding at the time of print.

PROGRAMMES

RURAL
BROADBAND
AND MOBILE
COVERAGE

New Broadband and mobile coverage in rural Aotearoa has continued to make a huge difference to residents and businesses. This has been especially important given the challenges of COVID-19, with more schooling and work being conducted at home.

This has been possible due to the work of CIP's rural connectivity programme partners: the 16 WISPs working around the country and RCG.



MOBILE TOWERS BUILT

MOBILE TOWERS BUILT,
PROVIDING NEW OR
IMPROVED RURAL
BROADBAND AND
MOBILE COVERAGE

Rural broadband homes and businesses	67,600
Mobile black spots state highway	877km
Mobile black spots tourism sites	70

MOBILE COVERAGE ON STATE HIGHWAY AND
TOURISM SITES

There are now 877 kilometres of state highway with new mobile coverage under the Mobile Black Spots Fund programme, and 70 tourism sites with new coverage.

Overall, there is now coverage on 62% of black spots on some of Aotearoa's most remote state highways.

Connectivity in some of these very remote areas is not only welcome for communications purposes, but is essential for safety and improved access to emergency services. Providing mobile coverage to the ends of cycle and walking tracks and on some of the most dangerous sections of state highways means that help can be on its way sooner and first responders have a much better chance of helping people in difficulty.

STATE HIGHWAY	KILOMETRES COMPLETE	% OF CONTRACT COMPLETE
6	147.8 km	51.8%
35	77.8 km	61.8%
12	58.7 km	86.6%
43	53.1 km	77.8%
2	52.1 km	46.7%



Wiz Wireless, Cape Palliser



Ultimate Broadband - Brothers tower



RCG - Tirohanga East

PROGRAMMES

CIP'S PARTNERS FOR THE RBI2/MBS PROGRAMMES ARE:



RCG is a joint venture established to build mobile infrastructure shared by Aotearoa's three mobile network operators (Spark, Vodafone and 2degrees).

End Users* contracted	38,072
End Users completed	23,704
% complete	62%

Km contracted	1,253 ¹
Km completed	632
% complete	50%

Tourism sites contracted	152 ¹
Tourism sites completed	56
% complete	37%

¹ Additional State Highway and tourism site coverage is provided commercially by some of the mobile network operators.



North Canterbury region

End Users completed	584
End Users contracted	548
% complete	94%



Waikato and King Country

End Users contracted	1,158
End Users completed	683
% complete	59%



Ōpōtiki and Whakatāne

End Users contracted	319
End Users completed	210
% complete	66%



Gisborne and Northern Hawke's Bay

End Users contracted	1,940
End Users completed	1,371
% complete	71%



Manawatū-Whanganui

End Users contracted	2,626
End Users completed	1,828
% complete	70%



Tasman and Nelson

End Users contracted	545
End Users completed	278
% complete	51%



Waikato and Bay of Plenty

End Users contracted	682
End Users completed	525
% complete	77%



Taranaki

End Users contracted	653
End Users completed	504
% complete	77%



Greater Auckland and Te Tai Tokerau

End Users contracted	1,549
End Users completed	456
% complete	29%



Central Hawke's Bay

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



Nelson, Tasman and Marlborough

End Users contracted	773
End Users completed	312
% complete	40%



Central and South Canterbury

End Users contracted	1,143
End Users completed	874
% complete	76%



Otago

End Users contracted	1,168
End Users completed	948
% complete	81%



Whakatāne, Westland and Grey

End Users contracted	697
End Users completed	255
% complete	37%



Wairarapa

End Users contracted	733
End Users completed	592
% complete	81%



Buller and Grey

End Users contracted	386
End Users completed	137
% complete	35%

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



Marae Digital Connectivity Programme - Te Takinga Marae, Rotorua
Image Credit: Chris Williams

PROGRAMMES

ULTRA FAST BROADBAND

Fibre to the premises, rolled out under the UFB programme, is now being made available to some very small towns in addition to larger towns and cities.

There are more than 200 towns in Aotearoa with populations of less than 500 that will receive access to UFB by 2022.

This level of coverage supports the Government's original vision for a transformational broadband network, which has become increasingly important during COVID-19 lockdowns where high-speed broadband connections are becoming essential.

There are now 309 UFB towns and cities complete, with 85% of New Zealanders able to access UFB. 1,760,483 homes and businesses have UFB available to them, and uptake is at 65% across Aotearoa.

Households and businesses are continuing to move to the faster UFB plans. Gigabit connections are continuing to grow, with 203,658 households and businesses now on UFB gigabit connections and 57,873 connections added in the year.

TOP 10 CENTRES FOR UPTAKE AT 30 JUNE 2021

RANK	TOWN	UPTAKE %
1	Whatawhata	94%
2	Horotiu	89%
3	Te Kauwhata	87%
4	Rolleston	82%
5	Mosgiel	80%
6	Waimauku	77%
7	Tauranga	76%
8	Hamilton	76%
9	Waiuku	76%
10	Longburn	75%

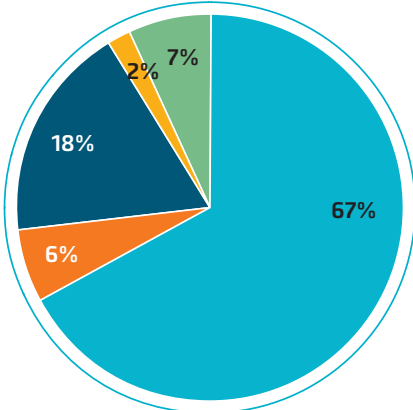


Recently covered towns from left to right: Cooks Beach, Taihape, Urenui

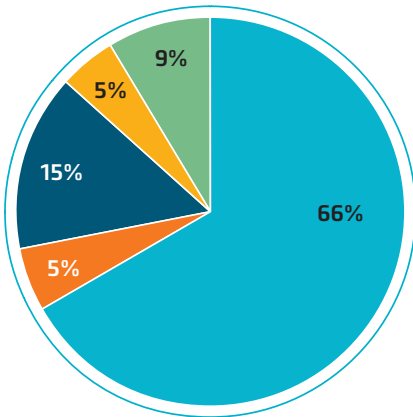


Recently covered towns from left to right: Balclutha, Paihia, Darfield

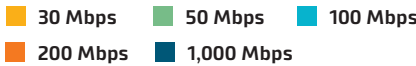
THE AVERAGE SPEED OF UFB SERVICES AT 30 JUNE 2021 WAS 263 MBPS.



UFB PRODUCT MIX AS AT 30 JUNE 2021



UFB PRODUCT MIX AS AT 30 JUNE 2020



CIP'S PARTNERS FOR THE UFB PROGRAMME ARE:



End Users* covered to date	1,290,752
% of total coverage complete	94%
Uptake in all areas	64%



End Users covered to date	235,180
% of total coverage complete	100%
Uptake in all areas	70%



End Users covered to date	33,098
% of total coverage complete	99%
Uptake in all areas	65%



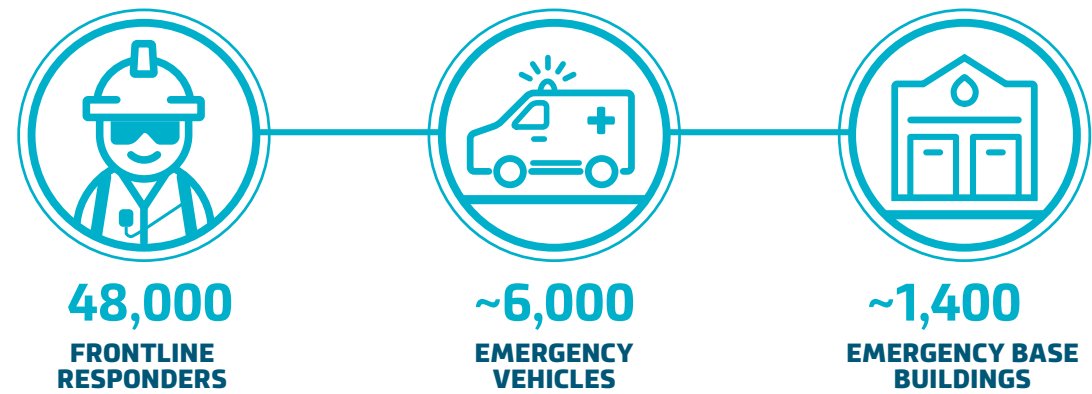
End Users covered to date	201,543
% of total coverage complete	100%
Uptake in all areas	66%

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

PUBLIC SAFETY NETWORK

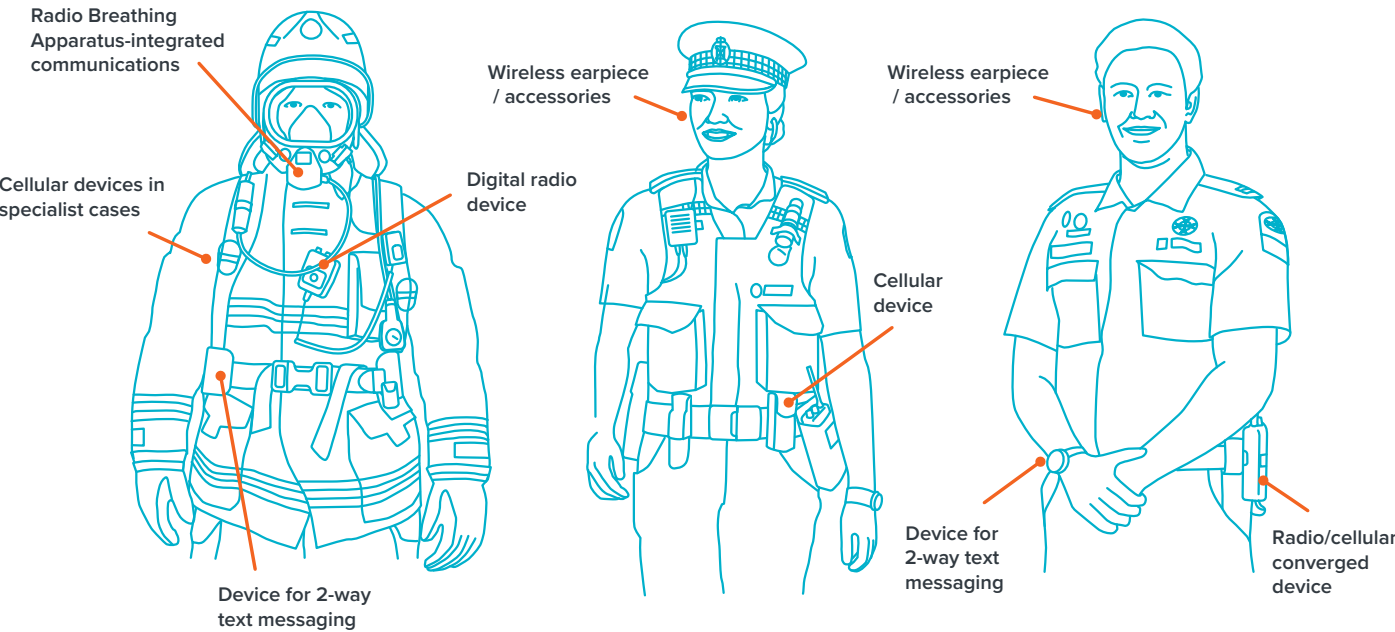
The PSN project is an upgrade of the communications network for all emergency services across Aotearoa, which include more than 48,000 first responders.

EMERGENCY SERVICES TO BE COVERED



The PSN project includes building a new land mobile radio network, upgrading cellular networks and the Personal Alerting network to provide prioritised voice, data and video services. The network will provide national land mobile radio, priority mobile and paging services.

CIP is providing network infrastructure procurement support for the programme. This procurement is currently in the final stages of evaluation, with negotiations now underway.



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 of 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 Communications Policy group for connectivity, the National Infrastructure Unit at the Treasury for infrastructure policy, and the Treasury ownership monitoring team for shareholding Ministers. CIP also works closely with relevant portfolio agencies. CIP’s purpose is to implement Government policy, rather than make a financial return, by implementing the Government’s objectives in relation to:

- the UFB programme, making UFB available to 86% of the population;
- the rural broadband and mobile blackspots programmes, providing broadband coverage for rural households and businesses, and mobile coverage on State Highways and in tourism areas;
- the Digital Connectivity programmes, including West Coast and Milford fibre links, and capacity upgrades;
- the PSN programme, supporting network infrastructure procurement;
- infrastructure financing for housing and other classes of infrastructure;
- the Government’s IRG programme in response to COVID-19; and
- providing assistance with the Government’s 3 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 3 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. The Directors’ profiles can be read on page 36 of this Annual



Yarrow Stadium

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 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, Te Pūia Tāpapa and a number of other private companies. Mark is also Chairman of Hynds Group Ltd.

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.

Mr Kerry Knight was a founding shareholder of Equinox Group in 1988, an investment company that has operated in Australia, USA and China as well as owned New Zealand commercial real estate, and recently built and operates a wellness retreat. He was also a partner in Auckland legal firm Knight Coldicutt for more than 25 years. Kerry's interests have been focused on business and property law, and he has been involved from a legal and financing perspectives with some of New Zealand's largest property transactions. In his spare time Kerry and his wife have purchased a dairy and beef farm and are converting it to organic using regenerative agriculture principles.

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 Limited. Chris holds an MBA from the Wharton School of the University of Pennsylvania and a Bachelor of Engineering degree from the University of

Canterbury. He is a Fellow of the Royal Institute of Chartered Surveyors, a Director of Argosy Property, a Director of Ngāti Whātua Ōrākei Whai Rawa Limited and a past President of Property Council New Zealand.

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 holds many governance positions in Crown, private and iwi entities including ACC, The Lines Company, Braemar Hospital, Te Ohu Kai Moana, and Te Wānanga o Aotearoa, and is a Trustee of the Maniapoto Māori Trust Board. Bella is also Co-Chair of the Aotearoa Circle's Low Carbon Aotearoa Energy Roadmap Leadership Group.

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 Mark Binns, Mr Chris Gudgeon. (Prior to February 2020, Mr Keith Tempest (Chair), Mr Simon Allen, Ms Danelle Dinsdale.)

	2020/21		2019/20	
	No. of regular meetings attended	No. of special meetings attended	No. of regular meetings attended	No. of special meetings attended
DIRECTORS				
Mark Binns	11	0	11	0
Bella Takiari-Brame	10	0	3	0
Chris Gudgeon	11	0	8	0
Danelle Dinsdale	11	0	11	0
Kerry Knight	11	0	8	0
Simon Allen (29/2/20)	0	0	7	0
Miriam Dean (29/2/20)	0	0	7	0
Keith Tempest (30/4/20)	0	0	9	0

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 September, with 100% participation. CIP's engagement is at the 74th percentile against New Zealand organisations and at the 76th percentile of the New Zealand public sector.

As part of CIP's focus on health and wellbeing, CIP launched a Wellbeing Allowance scheme in 2021 and offers a flexible working policy that allow employees to work from home on Monday and/or Friday.

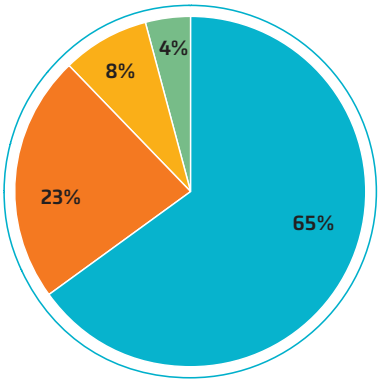
SAFE AND HEALTHY ENVIRONMENT

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.

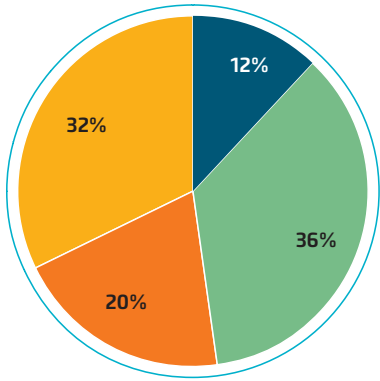
Some delivery partners were awarded essential service provider status during the COVID-19 lockdown, which allowed them to remain working while following strict health and safety guidelines from the Ministry of Health.

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.



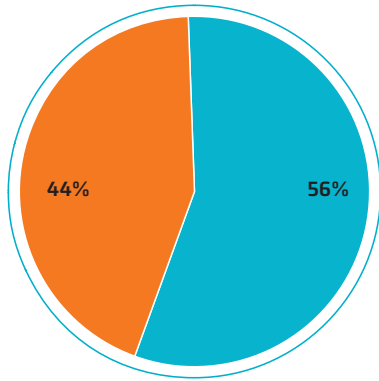
ETHNICITY IN THE WORKPLACE

- 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

- MALE
- FEMALE

STATEMENT OF PERFORMANCE

CIP's performance targets for the fiscal year 2021 relate to UFB deployment, progress of RBI2/MBS initiatives, UFB installation, Regional Digital Connectivity progress, the PSN programme, Infrastructure Financing, IRG measures, the 3 waters reform measures and financial and operational efficiency. For reporting against revenue and expense targets, see note 20. In this section, 'Achieved' means the performance measure has been achieved for FY2020/21. 'Mostly achieved' means that the performance measure has been substantially achieved for FY2020/21.

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.

Figure 1 outlines our financial and operational efficiency based on the operational efficiency of establishing and managing the various infrastructure programmes. CIP is involved in two programmes (being PSN and 3 waters infrastructure) where CIP is not directly funding the investments but is incurring the management costs. If the investments relating to those programmes are taken into account, CIP's operational efficiency is improved further.

Figure 1: Performance targets for financial and operational efficiency

FINANCIAL YEAR	2020/2021		
	Actual	Plan	Performance
CIP OPERATIONAL COST AS PERCENTAGE OF ANNUAL INVESTMENT/GRANTS	3.1%	5.0%	Achieved

SUCCESSFUL AND TIMELY DEPLOYMENT OF UFB AND RBI2/MBS

CIP's performance in terms of the UFB deployment is based on the number of premises handed over by the Partners, a verifiable measure. 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, as in figure 2.

CIP's performance in terms of the number of Rural Broadband Initiative phase 2 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.

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, marae and businesses), population¹ and marae handed over by the Partners and the resulting population that has coverage. CIP's performance in terms of these measures is measured by CIP and its RBI2 Partners using a geospatial dataset, seen in figure 2.

For MBS, there are two classes of output that track CIP's achievement - contracted MBS tourist sites covered, and contracted MBS State Highway kilometres covered as seen in figure 2.

CIP's performance in terms of the number of MBS 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 MBS is measured by CIP and its MBS Partner using a geospatial dataset.

Figure 2: UFB, RBI2/MBS deployment

FINANCIAL YEAR		2020/2021		
		Actual	Plan	Performance
1	NUMBER OF UFB PREMISES HANDED OVER BY PARTNERS TO CIP OR THE APPLICABLE LOCAL FIBRE COMPANY (LFC) UNDER UFB (000'S) ²	1,388	1,369	Achieved
2	THE NUMBER OF BROADBAND END USERS (SUCH AS HOUSEHOLDS AND BUSINESSES) ABLE TO CONNECT TO UFB (000'S)	1,760	1,740	Achieved
3	PERCENTAGE OF POPULATION WITH ACCESS TO UFB	85%	84%	Achieved
4	RURAL END USERS TO RECEIVE IMPROVED BROADBAND	67,606	63,566	Achieved
5	MBS TOURIST SITES COVERED	70	69	Achieved
6	MBS HIGHWAY KILOMETRES COVERED	877	745	Achieved
7	POPULATION PERCENTAGE RECEIVING IMPROVED RURAL BROADBAND	2.8%	2.6%	Achieved

REGIONAL DIGITAL CONNECTIVITY

The measures in figure 3 track CIP's progress towards the achievement of the Provincial Growth Fund marae digital connectivity programme objectives, Fibre Links and Rural Capacity Upgrades objectives.

Marae provisioning: This tracks CIP's progress towards the achievement of marae connectivity by measuring the timely provisioning of services. Urban marae are also part of the marae connectivity programme. CIP's performance in terms of the marae programme is based on the number of marae capable of being connected to broadband that are provisioned for broadband services within an average of 60 working days, and that have all the required hardware in place within an average 120 working days from receiving an approved order from Te Puni Kōkiri.

Fibre link progress: 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.

Rural capacity upgrades progress: This class of outputs tracks CIP's progress towards the achievement of the rural broadband capacity upgrades that will enable households and businesses to connect to existing wireless infrastructure that previously had had its capacity exhausted, or to experience improved performance from congested rural broadband areas.

Figure 3: Regional Digital Connectivity Programme measures

REPORTABLE MEASURE	2020/2021		
	Actual	Plan	Performance
MARAE: TIME TO CONNECT MARAE CAPABLE OF CONNECTION	49	<60 business days	Achieved
MARAE: AVERAGE TIME FOR HARDWARE IN PLACE FOR MARAE CAPABLE OF CONNECTION	78	<120 business days	Achieved
FIBRE LINKS: HAAST AND MILFORD PROGRESS OF FIBRE LINKS	Contracts awarded and deployment on plan for completion by end of 2021 and 2022 respectively, with 206km of fibre deployed	Haast and Milford contract awarded and deployment on plan for completion by end of 2021 and 2022 respectively	Achieved
RURAL CAPACITY UPGRADES: PROGRESS ON RURAL BROADBAND CAPACITY UPGRADES PROGRAMME (INCLUDING ANY FURTHER RURAL CAPACITY/BROADBAND PROGRAMME)	Programme contracted and substantially completed with 65 out of 70 towers upgraded	Contracted and substantially completed	Achieved

1. Population numbers are estimates based on geospatial analysis.

2. 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*

PSN PROGRAMME³

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

Figure 4: Performance targets for PSN programme

REPORTABLE MEASURE	2020/2021		
	Actual	Plan	Performance
PROCUREMENT AND CONTRACTING	RFP responses received and in evaluation	PSN procurement underway by end of FY21	Achieved

CIP’S PERFORMANCE TARGETS FOR THE INFRASTRUCTURE FINANCING OBJECTIVE

This is measured based on materially advancing the development of the matters that are to be included in the levy proposals for at least one IFF-focused transaction (including engagement with the Ministry of Housing and Urban Development and the Treasury) (see figure 5).

This is also measured based on CIP maintaining a pipeline of medium- to longer-term projects for which there is a reasonable expectation of providing infrastructure financing within the next five years, including proactively developing and sharing outward-facing guidance for relevant parties so that they can understand how to engage CIP, the model’s processes and the types of outcome that the model can deliver.

Figure 5: Contractual measures for the Infrastructure Financing objective

REPORTABLE MEASURE	2020/2021		
	Actual	Plan	Performance
ADVANCING TRANSACTION	The transaction targeted for advancement in 2020/21 was deferred due to COVID-19 impacts on council funding. Three substitute projects have been advanced in replacement, but were commenced later and even though commercial frameworks were materially advanced this measure was not fully met.	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), assuming the Infrastructure Funding and Financing Act 2020 is enacted.	Mostly achieved
PIPELINE OF PROJECTS	Pipeline in place after rebuild post COVID-19, with the pipeline of IFF transactions categorised as Focus Projects, Mid-term Projects and Long-Term projects.	Establish a pipeline of projects for which there is a reasonable expectation of providing infrastructure financing in years following FY21, assuming the Infrastructure Funding and Financing Act 2020 is enacted	Achieved

INFRASTRUCTURE REFERENCE GROUP WORK PROGRAMME

CIP’s performance in terms of the IRG programme, as seen in figure 6, is based on three metrics.

The number of approved CIP projects with suitable risk, as approved by IRG Ministers, being contracted is measured by CIP having entered into binding funding contracts with relevant project owners, and reflects the objective of having projects funded and underway but within reasonable risk parameters post due diligence.

CIP’s performance in terms of project commencement during the year is measured by the achievement of commencement milestones. A number of matters can affect timing, such as consents, engineering investigations, construction complexities, supply chain, resourcing capacity and weather.

CIP’s performance in terms of preparation of regular reporting on the whole IRG programme for Ministers, and the release of suitable quarterly public reporting, is measured by CIP assessing the relevant systems are in place which are fit for purpose. This component measures CIP’s overall co-ordination role for the Government across the whole IRG programme and the multiple agencies implementing it, and meeting Government reporting expectations.

Figure 6: Performance targets for the Infrastructure Reference Group Work Programme

FINANCIAL YEAR	2020/2021		
	Actual	Plan	Performance
PROJECT IMPLEMENTATION	All approved projects (as at 30 June 2021) with suitable risk were contracted by end of FY21	All approved CIP projects with suitable risk contracted by end of FY21	Achieved
PROJECT IMPLEMENTATION	All approved projects commenced in 2020/21 were within 12 month requirement and 27/41 projects commenced	All approved CIP projects on track to commence within 12 months of contract date unless otherwise agreed by Ministers	Achieved
REPORTING	Monthly Ministerial and Quarterly Public Reporting all in place to the appropriate standard	Fit-for-purpose monitoring and reporting systems in place for full programme by end of FY21	Achieved

3 WATERS REFORM PROGRAMME

CIP has supported the Department of Internal Affairs (DIA) in providing monitoring and review services in respect of the fiscal stimulus funding programme for 3 waters infrastructure for Local Territorial Authorities (LTAs). CIP provided delivery plan recommendations to DIA by 31 October 2020, as required; see figure 7.

CIP has reviewed 62 quarterly reports from LTAs and has provided recommendations on funding drawdowns to DIA within 15 business days of receipt. This reflects CIP’s activities in respect of reviewing and monitoring LTA performance against their delivery plans, as reported quarterly.

Figure 7: Performance targets for the 3 Waters Reform Programme

REPORTABLE MEASURES	2020/2021		
	Actual	Plan	Performance
DELIVERY PLAN REVIEWS	Delivery plan recommendations delivered on time, apart from two councils, who delivered their plans late	Delivery plan recommendations provided to the DIA by 31 October 2020 for complete delivery plans delivered on time	Achieved
REVIEW OF QUARTERLY REPORTS FROM LOCAL TERRITORIAL AUTHORITIES	62 quarterly reports sent to DIA on time	Review quarterly reports and provide recommendations on funding drawdowns to DIA within 15 business days of receipt of complete and understandable reports from Local Territorial Authorities	Achieved
REPORTING	62 engineer reports, 13 regional reports, one national report, one public report prepared	Fit-for-purpose monitoring and reporting systems in place for programme by end of FY21	Achieved

3. Formerly known as NGCC

CONNECTIVITY PARTNERS’ PERFORMANCE TARGETS

UFB 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 retail service provider customers. SLAs for Layer 1 and 2 network performance across candidate areas are between CIP and the LFCs and Chorus. CIP reviews performance against all SLAs under contract. Under the new fibre regulatory regime, the Commerce Commission will take over this monitoring from 1 January 2022.

Provisioning¹ performance per End User as reported by LFCs and Chorus

UFB PARTNER	BUSINESS (CONNECTIONS % MET TARGET)	RESIDENTIAL (CONNECTIONS % MET TARGET)
	Target: Within six business days or date as agreed with the End User	Target: Within four business days or date as agreed with the End User
CHORUS	95%	95%
ENL	95%	98%
NFL	96%	97%
UFF	91%	94%
TOTAL	94%	96%

This measure represents the ratio of orders that met the target provisioning dates 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 2019/20, despite a significant uplift in volumes.

Maximum downtime performance per End User as reported by LFCs and Chorus

MEASURE	RESTORATION	TARGET	FAULTS REPAIRED WITHIN TARGET
LAYER 2 ² PERFORMANCE	Residential and business	<12 hours	99.97%
LAYER 1 ³ PERFORMANCE	Residential and business	<48 hours	99.93%

Layer 2 performance per End User: Measures the number of Layer 2 faults repaired in compliance with the SLA. LFCs and Chorus reported that 99.97% 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 99.93% 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 LFCs and Chorus

UFB PARTNER	LAYER 2 AVERAGE NETWORK PERFORMANCE ACROSS ELIGIBLE CANDIDATE AREAS ⁶		LAYER 1 AVERAGE NETWORK PERFORMANCE ACROSS ELIGIBLE CANDIDATE AREAS	
	Target <30 minutes (99.994%)		Target <120 minutes (99.980%)	
CHORUS	00:01:13 min	100.000%	00:13:37 min	99.997%
ENL	00:00:04 min	100.000%	00:17:59 min	99.997%
NFL	00:25:42 min	99.995%	00:05:32 min	99.999%
UFF	00:04:10 min	99.999%	00:14:34 min	99.997%

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.

RBIZ/MBS 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/MBS 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

6. 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 2021

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 2021.

Signed on behalf of the Board.



Mark Binns
Chair

10 December 2021



Bella Takiari-Brame
Director

10 December 2021



Weld - string for the Waikouaiti Watermain replacement, East Otago, Dunedin City Council

AUDIT NEW ZEALAND

Mana Arotake Aotearoa

INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF CROWN INFRASTRUCTURE PARTNERS LIMITED'S GROUP FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 30 JUNE 2021

The Auditor-General is the auditor of Crown Infrastructure Partners Limited Group (the Group). The Auditor-General has appointed me, Wikus Jansen van Rensburg, 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 50 to 81, that comprise the consolidated statement of financial position as at 30 June 2021, the consolidated statement of comprehensive revenue and expense, consolidated statement of changes in equity and consolidated 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 38 to 41 and 81 to 82.

In our opinion:

- the financial statements of the Group on pages 50 to 81:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2021; 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 38 to 41 and 81 to 82:
 - presents fairly, in all material respects, the Group's performance for the year ended 30 June 2021, 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 10 December 2021. This is the date at which our opinion is expressed.

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

BASIS FOR OUR OPINION

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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, 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 37, 42 to 45, 48 to 49, and 83, 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.



Wikus Jansen van Rensburg

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



Kainga Ora, Northcote Greenslade Reserve Stormwater

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

FOR THE YEAR ENDED 30 JUNE 2021

	Notes	2021 ¹ \$000	2020 \$000
Income			
Interest income ²	6	42,260	36,364
Miscellaneous income		1,773	319
Grant Income	2	263,339	46,780
Fair value gains/(losses) on FVTSD ³ investments	4,12	61,410	736
Net fair value gains on derivatives	4,12	-	4,068
Gain on sale of investments	4	1,476	120
Total income		370,258	88,387
Expenses			
Finance costs	3	1,672	998
Directors' fees	7	172	218
Personnel costs	8	6,154	5,842
Depreciation expense	5	79	72
Professional advisory fees	9	2,151	3,976
Other expenses	10	4,048	3,097
Grant Expense	4	214,411	58,862
Non-grant project expenses	4	16,334	8,247
UFB contribution - Chorus Debt & Equity Securities	4,12	69,313	61,651
Contribution - loans	4,12	8,442	(2,264)
Net fair value losses on derivatives	4,12	3,696	-
Total expenses		326,472	140,699
Surplus/(deficit) before tax		43,786	(52,312)
Tax expense/(credit)	11	-	-
Net surplus/(deficit)		43,786	(52,312)
Other comprehensive revenue and expense		-	-
Total comprehensive revenue and expense		43,786	(52,312)

¹ Budget figures and explanations of major variances against the budget are detailed in note 19.² Includes imputed interest and interest on cash and cash equivalents and loan assets³ Fair value through surplus or deficit.

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 2021

	Notes	2021 ¹ \$000	2020 \$000
Assets			
Current assets			
Cash and cash equivalents	13	202,676	76,998
Short term investments	13	898,406	-
Trade and other receivables		779	7,386
Loans	4	-	155,408
GST receivables		7,981	2,165
Prepayments		57	26
Total current assets		1,109,899	241,983
Non-current assets			
Property, plant and equipment	5	5,763	3,102
Investments in Milldale Bulk Housing Projects	4	39,668	34,433
Investments in shares	4	-	17,420
Investments in Chorus Debt & Equity Securities	4	697,334	537,804
Loans	4	21,343	7,510
Total non-current assets		764,108	600,269
Total assets		1,874,007	842,252
Liabilities			
Current liabilities			
Creditors and other payables	14	66,171	43,667
Employee entitlements		848	844
Income in advance	17	560,021	-
Total current liabilities		627,040	44,511
Non-current liabilities			
Borrowings	3	30,556	20,956
Income in advance	17	322,340	-
Total non-current liabilities		352,896	20,956
Total liabilities		979,936	65,467
Net assets		894,071	776,785
Contributed capital	16	1,505,400	1,431,900
Retained earnings		(611,329)	(655,115)
Total equity		894,071	776,785

¹ 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 2021

	Capital \$000	Retained earnings \$000	Total \$000
Opening balance 1 July 2019	1,334,900	(602,803)	732,097
Comprehensive income			
Net surplus/(deficit)	-	(52,312)	(52,312)
<i>Total comprehensive revenue and expense</i>	-	(52,312)	(52,312)
Owners' transactions			
Capital contribution - Crown (note 16)	97,000	-	97,000
Closing balance 30 June 2020	1,431,900	(655,115)	776,785
Opening balance 1 July 2020	1,431,900	(655,115)	776,785
Comprehensive income			
Net surplus/(deficit) ¹	-	43,786	43,786
<i>Total comprehensive revenue and expense</i>	-	43,786	43,786
Owners' transactions			
Capital contribution - Crown (note 16) ²	73,500	-	73,500
Closing balance 30 June 2021	1,505,400	(611,329)	894,071

¹ Budget figures and explanations of major variances against the budget are detailed in note 19.² Capital Contribution made in CIP is represented by 1,505,400,200 fully paid 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, which included \$25m called in fiscal 2019 and excluded \$7m received in fiscal 2021. For fiscal 2021, CIP made a total of \$73.5m capital calls. The cash received during fiscal 2021 of \$80.5m included the \$7m receivable from fiscal 2020.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2021

	Notes	2021 ¹ \$000	2020 \$000
Cash flows from operating activities			
Interest received		2,124	1,395
Grants received		246,109	46,780
Other receipts		1,551	-
Payments to suppliers		(5,964)	(8,011)
Payments to employees		(6,150)	(5,584)
Grant payments		(199,517)	(36,979)
Non-grant project expenses		(16,793)	(5,355)
Goods and services tax (net)		(5,760)	(1,682)
Net cash inflow/(outflow) from operating activities	13	15,600	(9,436)
Cash flows from investing activities			
Purchase of property, plant and equipment		(5,608)	(161)
Acquisition of investments in Chorus Debt & Equity Securities		(122,132)	(155,710)
Acquisition of investment in CCHL loan		-	(5,592)
Repayment of CCHL loan		159,794	-
Acquisition of investment in NFL2 loan		(1,222)	(5,891)
Proceeds from sale of investments in LFC Equity		18,896	707
Acquisition of investments in bulk housing projects		(10,606)	(14,322)
Payments received from investment in bulk housing projects		2,910	481
Acquisition of investments in IRG Loans		(20,737)	-
Net cash inflow/(outflow) from investing activities		21,295	(180,488)
Cash flows from financing activities			
Capital contribution - Crown ²	2	80,500	115,000
Proceeds from borrowings		11,389	15,414
Loan repayment		(1,568)	-
Interest paid		(1,538)	(856)
Net cash inflow from financing activities		88,783	129,558
Net increase/(decrease) in cash and cash equivalents		125,678	(60,366)
Cash and cash equivalents at the beginning of the year		76,998	137,364
Cash and cash equivalents at the end of the year	13	202,676	76,998

¹ Budget figures and explanations of major variances against the budget are detailed in note 19.² Capital Contribution made in CIP is represented by 1,505,400,200 fully paid 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, which included \$25m called in fiscal 2019 and excluded \$7m received in fiscal 2021. For fiscal 2021, CIP made a total of \$73.5m capital calls. The cash received during fiscal 2021 of \$80.5m included the \$7m receivable from fiscal 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

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 2021 and 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.

The key purpose and objectives of CIP are to implement the Government's Ultra-Fast Broadband (UFB) programme, the Rural Broadband Initiative extension and Mobile Black Spot Fund programme (RBI2/MBSF) and the Regional Digital Connectivity programmes, to support the delivery of the Public Safety Network, to undertake infrastructure financing for bulk housing and other classes of eligible infrastructure, to implement the Infrastructure Reference Group's (IRG) programme to fund infrastructure projects to reduce the economic impact of COVID-19 and to implement the Three Waters investment programme to assist local authorities to invest in drinking water, wastewater, and storm water networks.

The CIP Group accounts include the direct investments in Chorus and Northpower Fibre Limited 2 (NFL2), 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 2021 and were approved by the Board of Directors on 10 December 2021.

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 programme delays during the New Zealand lockdown period, all programmes are continuing and there are not expected to be any significant delays in the cashflows 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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

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 Going Concern Disclosures (Amendments to PBE IPSAS 1), Uncertainty over Income Tax Treatments (Amendments to PBE IAS 12), and PBE Interest Rate Benchmark Reform (Amendments to PBE IPSAS 41, PBE IFRS 9, PBE IPSAS 29 and PBE IPSAS 30).

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

An amendment to PBE IPSAS 2 Statement of Cash Flows requires entities to provided 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.

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.

PBE IPSAS 40 PBE Combinations supersedes PBE IFRS 3 Business Combinations and is effective for annual periods beginning on or after 1 January 2021. PBE IPSAS 40 has a broader scope than PBE IFRS 3 since it establishes requirements for accounting for both acquisitions and amalgamations. The Group does not intend to early adopt the standard

PBE IPSAS 41 Financial Instruments replaces PBE IPSAS 29 Financial Instruments: Recognition and Measurement and PBE IFRS 9 Financial Instruments and is effective for annual periods beginning on or after 1 January 2022, with early adoption permitted. The Group does not intend to early adopt the standard.

PBE FRS 48 Service Performance Reporting outlines service performance disclosures for Tier 1 and Tier 2 Public Benefit Entities. The standard is effective for annual periods beginning on or after 1 January 2022. The Group does not intend to early adopt the standard.

The above new standards and interpretations have not been early adopted as they are not expected to have a material impact on the recognition or measurement of items in the consolidated financial statements when adopted in the periods they become mandatory.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

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 (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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

2. COMPOSITION OF THE GROUP (CONTINUED)

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.

OTHER INVESTMENTS

Disposal of interest in NFL

CIP disposed of its investment in NFL in the current period. Prior to disposal, CIP was considered to have joint control over NFL because decision making around operation required approval by both CIP and the Partner. The investment was accounted for as a joint venture using the equity method. Under the equity method, the investment was recognised initially 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 disposed of a portion of its interest in NFL (e.g. recycling)¹, it recognised 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.

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 NFL2

CIP is also supporting the deployment of UFB in the NFL2 Candidate Area by advancing funds to NFL2 (note 4). The terms of this arrangement are also considered to represent less-than-significant influence.

RELATED PARTY TRANSACTIONS

Significant transactions with government-related entities

During the current period, CIP received \$73.5 million of equity funding and \$1,145.7 million in grant funding (2020: \$97 million of equity funding and \$46.8 million of grant funding) from the Crown.

CIP has been provided with \$73.5 million in equity funding from the Crown, all of which was received in cash in addition to \$7 million of cash that was recorded as a receivable at 30 June 2020 (2020: \$97 million, of which \$90 million was received in cash and \$7 million was receivable at 30 June 2020) for specific purposes, as set out in its founding legislation and the scope of the relevant Government appropriations.

¹ Recycling: The Partner (Northpower) was required to purchase CIP's A shares based on the number of premises connected and the cost per premises passed (CPPP) paid.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

2. COMPOSITION OF THE GROUP (CONTINUED)

CIP was provided with \$1,034.5 million from the Crown for IRG loans and grants (2020: nil), this funding was provided in the form of \$812.0 million Treasury Bills and \$222.0 million cash. CIP has recorded \$152.1 million of grant income relating to loans and grants that have been distributed and \$882.4 million of revenue in advance relating to amounts to be distributed in future periods.

CIP was also provided with \$111.2 million in grant income from the Crown for Rural Broadband Initiative Phase Two and the Mobile Black Spot Fund, the Regional Digital Connectivity Programme funded through the Provincial Growth Fund (PGF) and the West Coast Fibre Link funded through the PGF (2020: \$46.8 million).

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 Accident Compensation Corporation (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 Infrastructure Project (see note 4 for information about the investments in Milldale Bulk Housing Infrastructure Project). The borrowings are secured over the cash inflows of the Project, 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

	2021 \$000	2020 \$000
Principal	33,367	23,548
Unamortised transaction costs	(2,811)	(2,592)
Net carrying amount borrowings	30,556	20,956

Finance costs

	2021 \$000	2020 \$000
Effective interest on borrowings	1,592	910
Other finance charges	80	88
Total finance costs	1,672	998

Reconciliation of carrying amount of borrowings

	2021 \$000	2020 \$000
Opening balance	20,956	5,880
Drawdowns	11,388	15,414
Prepayment	(1,567)	-
Payment of upfront fees and commitment fees	(275)	(392)
Interest expense	1,592	910
Payments of principal and interest	(1,538)	(856)
Closing balance	30,556	20,956

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

3. BORROWINGS (CONTINUED)

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.

4. INVESTMENTS

The structures of investments for the Chorus and NFL2 investments, the Milldale Bulk Housing Infrastructure Project, IRG Loans, and the previous investments in NFL, CCCHL and UFF are described below.

CIP’S INVESTMENT

Any difference on initial recognition between the fair value of an investment in 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. Similarly, the difference on initial recognition between the fair value of an investment in an IRG loan and the contribution by CIP represents CIP’s and the Crown’s contribution towards infrastructure projects to reduce the economic impact of the COVID-19 pandemic. As a result, the UFB and IRG transactions are considered, in substance, to be represented by two components, and the Group has:

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

The judgement used in componentising the transactions in this way affects the amount of UFB and IRG contributions recognised. There is judgement made on the interest rates used to value the tranches of Chorus Equity and Debt Securities and IRG loans, as these interest rates impact the value recorded in the Statement of Comprehensive Revenue and Expense of the Crown contribution and their fair values.

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
Net investments at 1 July 2019	45	226,016	84,605	157,565	468,231
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
Net Investments at 30 June 2020	4,113	263,143	101,706	168,842	537,804
Amount paid during the year	-	97,911	4,327	7,830	110,068
Amount payable at balance date	-	7,302	5,412	9,691	22,405
Less UFB contribution	-	(58,564)	(3,607)	(7,142)	(69,313)
<i>Initial investment recognised</i>	-	46,649	6,132	10,379	63,160
Fair value gain/(loss) recognised in surplus or deficit	(3,697)	40,616	1,283	23,771	61,973
Interest	-	20,259	4,518	9,620	34,397
Net investments at 30 June 2021	416	370,667	113,639	212,612	697,334

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

4. INVESTMENTS (CONTINUED)

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 investment in the NFL2 loan and the previous investments in the CCHL loan and UFF loan are carried at amortised cost and are set out below:

	CCHL loan \$000	NFL2 loan \$000	UFF loan \$000	Total \$000
Balance at 30 June 2019	145,342	5,491	3,391	154,224
Amount paid (reversed) during the year ¹	5,592	3,211	(7,482)	1,321
Amount payable at balance date	-	196	-	196
Less UFB contribution ¹	(141)	(1,686)	4,091	2,264
Initial investment recognised	5,451	1,721	(3,391)	3,781
Interest revenue	4,615	298	-	4,913
Balance at 30 June 2020	155,408	7,510	-	162,918
Amount paid during the year	-	1,026	-	1,026
Amount payable at balance date	-	-	-	-
Plus/Less UFB contribution	-	(431)	-	(431)
Initial investment recognised	-	595	-	595
Interest revenue	4,386	408	-	4,794
Repayments received	(159,794)	-	-	(159,794)
Balance at 30 June 2021	-	8,513	-	8,513

¹ In 2019 the Group provided for its agreed contribution to UFF. In the prior period UFF decided not to take the funding.

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 \$1.3 billion 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 Debt and 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 also issues to CIP Equity Warrants to allow CIP to participate in the upside of the financial performance of Chorus (one warrant for each \$1 of the CIP Equity Securities). The warrants are not currently considered significant.

Chorus Equity Securities - key terms

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

The dividend rate will equal the New Zealand 180-day bank bill rate plus a margin of 6%. End User (customer) fibre uptake, being measured as 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 exceeded 20% by June 2020, and therefore the portion of Chorus Equity Securities that attracts a dividend will be weighted towards the latter half of the period 2025 to 2036. It is expected that all Chorus Equity Securities will be attracting dividends by 2036. Chorus can redeem the Chorus Equity Securities in cash or by issuing Chorus ordinary shares (by reference to a formula) at any time.

At 30 June 2021 the Moody’s Chorus Credit rating is Baa2 (30 June 2020: Baa2), and Standard & Poor’s rating is BBB (2020: 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 2021

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 debt securities is the present value of the sum repayable on the securities.

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, 27.7% in 2033 and the remaining 35% in 2036.

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.

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 investment in the NFL2 loan, IRG loans, and the previous investments in the CCHL loan and UFF loan 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 or IRG contribution lines 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

4. INVESTMENTS (CONTINUED)

	Equity Securities			Debt Securities			
Key assumptions/inputs	2021 Assumption	2020 Assumption	Possible change	2021 Impact \$000	2020 Impact \$000	2021 Impact \$000	2020 Impact \$000
Senior credit spread (BBB (2020: BBB))	111-157 bps	206-288 bps	+/-50 bps	NA	NA	-5,600/5,900	-5,300/5,700
Subordinated credit spread (BBB-/BB+ (2020: BBB-/BB+))	160-205 bps	368-450 bps	+/-50 bps	-18,200/19,300	-13,300/14,200	-10,900/10,300	-8,500/9,100
Risk-free term structure	0.97% - 2.37%	0.47% - 1.26%	+/-100 bps	-35,200/39,800	-25,800/29,300	-30,600/34,700	-26,800/30,600

CCHL LOAN

CIP has funded the UFB build by Enable Networks Limited (ENL) by loaning funds to CCHL progressively as stages were completed by ENL and satisfied User Acceptance Testing (UAT). CCHL repaid the loan in the current period. The CCHL loan carried no interest, but like the Chorus Debt Securities had imputed interest calculated and shown on the face of the financial statements.

INVESTMENT IN NFL

In the current period, CIP disposed of its remaining shares in NFL for \$18,896,000, resulting in a \$1,476,000 gain on disposal. NFL, a New Zealand domiciled company, completed the UFB network deployment in Whāngārei and sells wholesale fibre services to retail service providers. Prior to the disposal, CIP had joint control of NFL and accounted for the investment under the equity method.

IRG Overview

The Infrastructure Reference Group (IRG) was set up to identify infrastructure projects in the private and public sector which would have an immediate stimulatory effect on the construction industry, its workforce and the economy, including a mix of smaller projects that could demonstrate a direct and immediate benefit to the regional economies and communities in which they were based. Projects needed to show that they could be underway within 12 months from the date of funding being contracted, with material employment benefits and which provided national or regional public benefit. The submitted projects were considered against these criteria.

The IRG shovel ready announcement on 1 July 2020 identified 150 programmes/projects that were shortlisted to receive Government stimulus funding. These projects were then announced progressively since July 2020 in principle and subject to due diligence. Once the appropriate due diligence was completed, the projects were then formally approved by Ministers for the release of funding.

CIP, and other Crown agencies, are now in the implementation phase with some grants and loans already paid out. 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. CIP monitors the operational and service performance of IRG build partners to ensure that contractually agreed service levels are being met.

Most of the funding is being provided in the form of grants, while the remainder will be provided through loans. It has been determined that CIP is principle to the IRG Grants, as first recipient of the IRG Grant. CIP recognises the IRG Grant income in the Statement of comprehensive revenue and expense as the IRG Grants are paid to project owners on completion of construction activity by the projects. After reviewing the accounting policy, and to give the reader of the financial statements greater information, IRG Grant income and expenses are recognised on the face of CIP's Statement of comprehensive revenue and expense.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

4. INVESTMENTS (CONTINUED)

IRG Loans - key terms

Loans to asset owners are made either interest-free or at below-market interest rates. Any difference on initial recognition between the fair value of the investment and the contribution by CIP is reflected in the Contribution - loans line in surplus or deficit. The loan agreements generally require the asset owners to provide co-funding for the projects and meet agreed milestones prior to making drawdowns. Repayments are made over a range of periods, up to 20 years from the date of the agreement or the date of initial drawdown. CIP may require early repayment and/or suspend future drawdowns if the asset owner is in breach of the terms of the loan agreement.

The Group's investment in IRG Loans are carried at amortised cost and are set out below:

	Total \$000
Balance at 1 July 2020	-
Amount paid during the year	20,737
Less IRG contribution	(8,011)
Initial investment recognised	12,726
Interest revenue	104
Repayments received	-
Balance at 30 June 2021	12,830

INVESTMENTS IN MILLDALE BULK HOUSING INFRASTRUCTURE PROJECT

The Group's investments in the Milldale Bulk Housing Infrastructure Project financial assets is set out below:

	2021 \$000	2020 \$000
Balance at 1 July	34,433	9,331
Amount paid during the year	10,606	14,322
Interest revenue	1,815	1,128
Fair value gains/losses	(4,260)	10,133
Repayments received and receivable	(2,926)	(481)
Balance at 30 June	39,668	34,433

Investments in Milldale Bulk Housing Infrastructure Project 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.

Accounting policies

The investments in the Milldale Bulk Housing Infrastructure Project 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 Milldale Bulk Housing Infrastructure Project 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

4. INVESTMENTS (CONTINUED)

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 Milldale Bulk Housing Infrastructure Project financial assets.

Key assumptions/inputs	2021 Assumption	Possible change	2021 Impact \$000	2020 Assumption	Possible change	2020 Impact \$000
Discount rate	6.28%	+/-50 bps	-2,500/ +2,700	5.7%	+/-50 bps	-2,700/ +3,000

FUNDING COMMITMENTS AND PAYMENTS

UFB programme

The Crown, through CIP, will have invested a total of \$1.7 billion by the end of December 2022 to provide UFB access across New Zealand. At 30 June 2021, \$125 million remains to be spent. The table below summarises the cumulative number of premises that the Partners are expected to have passed by the end of fiscal year 2022 and 2023. 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 2022	Financial Year 2023
Total premises passed #000	1,426	1,434
Total investment \$m²	1,703	1,736

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)³, and 17 local Wireless Internet Service Providers (WISPs). The payments vary between the tower locations and households and businesses covered, and the basis of payment is per tower for RCG, and households and businesses 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 (of which \$81.5 million remains to be paid out at 30 June 2021). The table below summarises the objectives to be achieved by the RBI2/MBSF programme.

CIP's performance targets for RBI2/MBSF		Financial year	Total programme⁴
		Fiscal 2022	Fiscal 2024
1	Rural End Users to receive improved broadband	73,004⁵	84,327⁵
2	Mobile Black Spot Tourist sites covered	91	168
3	Mobile Black Spot Highway kilometres covered	1,056	1,406

Grant expenses

	2021 \$000	2020 \$000
RBI2/MBSF grants	83,069	58,862
IRG Grants	131,342	-
Total grant expenses	214,411	58,862

² The total investment is shown before the impact of the recycling mechanism.

³ A joint venture between Vodafone, Spark and 2degrees.

⁴ Includes the RBI2/MBSF expansion contracts agreed during the year.

⁵ 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 2021

4. INVESTMENTS (CONTINUED)

In the current period the Group paid \$83.1 million in RBI2/MBSF grant payments that were funded by the Crown (2020: \$58.9 million), including \$31.2 million of PGF grants (2020: \$13.0 million). Additionally, in the current period, CIP provided an additional \$16.3 million of RBI2/MBSF grant payments (2020: \$8.2 million). CIP received \$44.4 million in PGF funding (2020: \$11.8 million).

Marae digital connectivity

CIP has spent \$12.75 million over three years to provide broadband connections and equipment to eligible marae and 'regional digital hubs'. 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 was authorised to fund up to \$15 million toward rural broadband capacity upgrades as part of the Regional Digital Connectivity Programme 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 and completed in fiscal 2022.

Public Safety Network

CIP has been appointed to act as delivery partner for the Public Safety Network (PSN) by managing procurement and delivery of land mobile radio and cellular network infrastructure.

Infrastructure Funding & Financing (IFF)

In the May 2019 Government Budget, CIP was allocated \$292 million of uncalled capital over five years for bulk housing and other eligible classes of infrastructure, including community facilities, community infrastructure, environmental resilience and natural hazard infrastructure, transport and water services infrastructure with a focus on supporting land release for housing supply. To date, CIP has provided \$33.6 million in funding to the Milldale developer, which has been largely debt funded.

Three Waters

CIP also has a review and monitoring role of the Government's investment in '3 waters' infrastructure with Local Territorial Authorities (LTAs), supporting the Department of Internal Affairs (DIA) in the Government's 3 waters (drinking water, wastewater and stormwater) review programme.

Infrastructure Reference Group (IRG)

CIP is funding 45 IRG projects, and has distributed \$152.1 million to the year end 30 June 2021, and is expecting to distribute ~\$500.0 million in 2022. Additionally, at 30 June 2021, projects totalling \$105m are being evaluated. For further information on the IRG programme please see the CIP website <https://www.crowninfrastructure.govt.nz/irg/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

5. OTHER PROPERTY, PLANT AND EQUIPMENT

	Fibre Network Assets \$000	Information technology \$000	Other equipment \$000	Total \$000
Cost				
Balance at 1 July 2019	-	425	146	571
Additions during the year	2,940	29	75	3,044
Disposals during the year	-	(17)	-	(17)
Balance at 30 June 2020	2,940	437	221	3,598
Accumulated depreciation				
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
Net book value at 30 June 2020	2,940	76	86	3,102
Cost				
Balance at 1 July 2020	2,940	437	221	3,598
Additions during the year	2,544	154	42	2,740
Disposals during the year	-	(343)	(119)	(462)
Balance at 30 June 2021	5,484	248	144	5,876
Accumulated depreciation				
Balance at 1 July 2020	-	361	135	496
Depreciation charge for the year	-	66	13	79
Disposals during the year	-	(343)	(119)	(462)
Balance at 30 June 2021	-	84	29	113
Net book value at 30 June 2021	5,484	164	115	5,763

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.

Fibre Network Assets

CIP has entered into an arrangement with Chorus under which Chorus will design and construct fibre 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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

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 (2020: Nil).

6. INTEREST INCOME

	2021 \$000	2020 \$000
Interest income		
Amortised cost		
CCHL loan	4,386	4,615
NFL2 loan	408	298
IRG Loans	104	-
Interest earned on cash balances with financial institutions	797	1,349
Interest earned on treasury bills	353	-
FVTSD financial assets		
Investments in Milldale Bulk Housing Infrastructure Project financial assets	1,815	1,128
Chorus Equity Securities	20,259	16,079
Chorus Debt Securities	14,138	12,895
Total interest income	42,260	36,364

The interest income on the CCHL loan, NFL2 loan, investments in Milldale Bulk Housing Infrastructure Project financial assets 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 and NFL2 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. The imputed interest on the IRG loans reflects both the write-back of the discount and any interest expected to be received on the loans.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

7. DIRECTORS’ FEES

	2021 \$000	2020 \$000
Board member fees during the year were:		
Simon Allen (Chair to 29 February 2020)	-	40
Mark Binns (Chair from 1 March 2020)	56	43
Miriam Dean	-	21
Danelle Dinsdale	29	31
Chris Gudgeon	29	23
Kerry Knight	29	23
Bella Takiari-Brame	29	11
Keith Tempest	-	26
Total Board member fees	172	218

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

The Group has 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

	2021 \$000	2020 \$000
Salaries and wages	5,813	5,608
Employer contributions to defined contribution plans	108	93
Other staff benefits	233	141
Total personnel costs	6,154	5,842

CIP has 26 full-time-equivalent employees and eight contractors as at 30 June 2021 (2020: 25 and six respectively).

Key management personnel compensation

	2021 \$000	2020 \$000
Directors - 5 individuals (2020: 8 individuals)	172	218
Chief Executive Officer and senior management (7 individuals) (2020: 6 individuals)	2,669	2,474
Total key management personnel compensation	2,841	2,692

No significant compensation or termination benefits have been paid during the year (2020: Nil).

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.
- To value and reward staff fairly in relation to:
 - » The work they do and their performance in the job;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

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

- » 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. A 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 the role and if the scope of their role has increased. There were no general adjustments to remuneration in 2020/21.

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 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 fifty percent of the ARI is determined by company performance against targets which are agreed with the CIP Board Remuneration Committee each year.

CEO and executive remuneration for 2021 and 2020 was:

		% of			
		Fixed	Short-Term	Short-Term	
		Remuneration	Incentive	Incentive	
				paid	
				Total	
		Remuneration			
Graham Mitchell	2021	\$516,480	\$73,598	95%	\$590,078
Executive remuneration		\$1,656,021	\$244,105	98%	\$1,900,126
Graham Mitchell	2020	\$516,480	\$77,472	100%	\$593,952
Executive remuneration		\$1,518,018	\$226,144	99%	\$1,744,162

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% based on individual key performance indicators 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.

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 at risk incentive 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

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

Total remuneration paid or payable for the year

	2021 # staff	2020 # staff
\$100,000 - \$109,999	1	-
\$110,000 - \$119,999	1	2
\$120,000 - \$129,999	1	-
\$130,000 - \$139,999	1	3
\$150,000 - \$159,999	-	2
\$160,000 - \$169,999	3	2
\$180,000 - \$189,999	2	1
\$190,000 - \$199,999	1	-
\$200,000 - \$209,999	3	3
\$210,000 - \$219,999	2	1
\$260,000 - \$269,999	-	1
\$270,000 - \$279,999	1	-
\$280,000 - \$289,999	1	1
\$290,000 - \$299,999	1	2
\$300,000 - \$309,999	1	-
\$310,000 - \$319,999	1	1
\$410,000 - \$419,999	-	1
\$420,000 - \$429,999	1	-
\$480,000 - \$489,999	1	1
\$590,000 - \$599,999	1	1
Total employees	23	22

9. PROFESSIONAL ADVISORY FEES

	2021 \$000	2020 \$000
Accounting	734	803
Legal	833	611
Engineering	799	1,671
Other	523	891
Total professional advisory fees	2,881	3,976

Accounting fees relate to non-audit accounting services provided; legal fees relate to the provision of legal services, engineering is the provision of services advising on IRG, 3 waters and telecommunications infrastructure to Ministers.

10. OTHER EXPENSES

	2021 \$000	2020 \$000
Financial statements audit fees - Audit New Zealand	177	177
Other audit fees (probity review) - Audit New Zealand	(25)	40
Contractors and project management	2,574	1,648
Staff travel and accommodation	127	222
Operating lease expenses	306	299
Information technology	277	243
Other	612	468
Total other expenses	4,048	3,097

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

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

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

	2021 \$000	2020 \$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	-	-
Total income tax expense/(credit)	-	-
Reconciliation		
Surplus/(deficit) for the period	43,786	(52,312)
Tax expense/(credit) calculated at 28% (2020: 28%)	12,260	(14,647)
Effect of non-taxable status of the entities in the Group	(12,260)	14,647
Total income tax expense/(credit)	-	-

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.

12. INCOME AND EXPENSES BY CATEGORY

The fair value gains/losses 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:

	2021 \$000	2020 \$000
Fair value gains/(losses) on remeasurement of financial assets at FVTSD		
Chorus Equity Securities - fair value gains/(losses)	40,616	(15,342)
Chorus Equity Warrants - fair value gains/(losses)	(3,696)	4,068
Chorus Debt Securities - fair value gains/(losses)	25,054	2,945
Milldale Bulk Housing Infrastructure financial assets - fair value gains/(losses)	(4,260)	10,133
Fair value losses on initial recognition of financial assets at FVTSD		
Chorus Equity Securities - UFB contribution	(58,564)	(54,281)
Chorus Debt Securities - UFB contribution	(10,749)	(7,370)
Fair value losses on initial recognition of financial assets measured at amortised cost		
CCHL loan - UFB contribution	-	(141)
NFL2 loan - UFB contribution	(431)	(1,686)
IRG Loans - IRG contributions	(8,011)	-
UFF loan - UFB contribution ¹	-	4,091
Total recognised in surplus/(deficit)	(20,041)	(57,583)

¹ In 2019 the Group provided for its agreed contribution to UFF. In the previous period UFF decided not to take the funding.

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FOR THE YEAR ENDED 30 JUNE 2021

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

	2021 \$000	2020 \$000
Net surplus/deficit after tax	43,786	(52,312)
Add/(less) non-cash items		
Interest income	(41,110)	(35,015)
Fair value losses/(gains) on FVTSD investments	(61,410)	(736)
Fair value losses/(gains) on derivatives	3,696	(4,068)
Gain on sale of investments in LFC equity	(1,476)	(120)
Depreciation	79	72
UFB contribution	69,744	59,387
IRG contributions	8,011	-
<i>Total non-cash items</i>	(22,466)	19,520
Add/(less) movements in working capital items		
Receivables, GST and prepayments	760	16,077
Creditors and other payables	22,504	(27,550)
Employee entitlements	4	97
Income in advance	882,361	
<i>Net movements in working capital items</i>	905,629	(11,376)
Add/(less) items reclassified as investing or financing		
Movements in trade and other receivables related to financing activities	(7,000)	(18,000)
Movements in trade and other receivables related to investing activities	(898,390)	-
Movements in creditors and other payables related to property, plant and equipment	(71)	57
Movements in creditors and other payables related to Chorus investments and loans to LFCs	(7,205)	52,157
Interest paid	1,538	856
Transaction costs recorded as part of the initial carrying amount of borrowings	(221)	(338)
Net cash from operating activities	15,600	(9,436)

CASH AND CASH EQUIVALENTS:

	2021 \$000	2020 \$000
Deposits with financial institutions	130,719	76,998
Treasury Bills	71,957	-
Total cash and cash equivalents	202,676	76,998

SHORT TERM INVESTMENTS:

	2021 \$000	2020 \$000
Term investments with financial institutions > 3 months < 12 months	160,000	-
Treasury Bills > 3 months < 12 months	738,406	-
Total short term investments	898,406	-

The large deposits with financial institutions is due to CIP having received the repayment of the UFB loan to CCHL, and Northpower purchasing CIP's A-shares in NFL.

The Treasury Bills is the funding for CIP's approved IRG projects.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

14. CREDITORS AND OTHER PAYABLES

	2021 \$000	2020 \$000
Creditors	65,485	43,198
Accrued expenses	686	469
Total creditors and other payables	66,171	43,667

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.

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 permit any transactions that are speculative in nature. 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 Milldale Bulk Housing Infrastructure Project 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, treasury bills, the NFL2 loan, the IRG loans, 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 at 30 June 2021 is 0.9% (2020: 1.3%). The average interest rate on CIP's treasury bills at 30 June 2021 is 0.26% (2020: nil).

The terms of the Chorus Equity Securities and Debt Securities and the investments in the Milldale Bulk Housing Infrastructure Project financial assets and IRG loans 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 at maturity.

Sensitivity analysis

In relation to term deposits as at 30 June 2021, 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 \$0.9 million (2020: \$0.1 million) higher/lower. In relation to treasury bills held as at 30 June 2021, if the interest rate had been 10 basis points higher or lower, with all other variables held constant, the surplus/(deficit) for the period would have been approximately \$0.8 million higher/lower (2020: nil). This sensitivity is greater than in the prior year as more term deposits were held at balance date than in the prior year and CIP acquired treasury bills that will be used for payments of IRG grants and loans in future fiscal periods.

The sensitivities of the Chorus Securities and the Milldale Bulk Housing Infrastructure investments are set out in the relevant key assumptions sections of note 4.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

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 the New Zealand government arising from treasury bills, banks where the Group deposits its surplus cash and trade debtors; Chorus through its investment in the Chorus Debt Securities; NFL2 through its investment in the NFL2 loan, IRG Project Owners through the IRG loans and loan commitments and the Milldale developer and landowners through the investments in Milldale Bulk Housing Infrastructure Project financial assets.

The Investments in the Milldale Bulk Housing Infrastructure Project financial assets are secured by first ranking encumbrances on the land. The credit risk relating to the Milldale 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 five (2020: three) major banks, which are registered New Zealand banks. CIP's Investment Policy limits the amount of credit exposure to any one institution (no more than \$100 million of term deposits 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 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 2021 (2020: Nil) and there is no material impairment (2020: no material impairment). The credit risk for the NFL2 loans and loan commitments has been determined to be low. CIP has determined that the credit risk for the IRG loans and loan commitments has not changed between the date the agreements were entered into and balance date. The Group considers whether the credit risk has increased by evaluating the activities of the entities to which it has lent funds and made loan commitments 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 2021 there were no trade receivables due from the Crown (2020: \$7 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 NFL2, the Milldale developer and IRG Project Owners.

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. 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. Most of the funding for the IGR loans and grants was received in advance from the Crown. The Group also manages its liquidity risk relating to its borrowings by matching the expected payments with expected cash receipts relating to the investments in the Milldale Bulk Housing Infrastructure Project financial assets.

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, these are represented as cash and cash equivalents on the statement of financial position. All cash and short-term deposits are held in New Zealand.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

15. FINANCIAL RISK (CONTINUED)

2021 Financial liability	Less than 12 months	Between 1 and 5 years	Between 5 and 10 years	Greater than 10 years
Creditors and other payables	66,171	-	-	-
Borrowings	1,792	7,169	9,572	59,003
Total cash flows	67,963	7,169	9,572	59,003

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

Additional information on CIP's commitment to purchase Chorus Securities and provide further funding to LFCs, the Milldale developer, and IRG Project Owners is set out in note 4 and note 17.

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 in 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 \$33.4 million (2020: \$23.5 million) have a fair value of \$32.6 million (2020: \$28.8 million)). The carrying amount of the borrowings at 30 June 2021 of \$30.6 million represents drawdowns of \$33.4 million net of transaction costs of \$2.8 million (30 June 2020: carrying amount 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 \$8.5 million) has a fair value of \$10.0 million (2020: the carrying amount of \$7.5 million had a fair value of \$8 million).

The investment in IRG loans (carrying amount \$12.8 million) has a fair value of \$12.7 million. This reflects movements in market interest rates since the loans were drawn down.

At 30 June 2020, the investment in the CCHL loan (carrying amount \$155.4 million) had a fair value of \$158.4 million. The CCHL loan was repaid in the current period.

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 2021 and 30 June 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

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:

	2021 \$000	2020 \$000
Amortised cost		
Cash and cash equivalents	202,676	76,998
Short term investments	898,406	-
Trade and other receivables	779	7,386
IRG loans	12,830	-
CCHL loan	-	155,408
NFL2 loan	8,513	7,510
<i>Total financial assets carried at amortised cost</i>	1,123,204	247,302
Financial assets mandatorily measured at FVTSD		
Investments in Chorus Equity Securities	370,667	263,143
Investments in Chorus Debt Securities	326,251	270,548
Investments in Chorus Equity Warrants	416	4,113
Investments in Milldale Bulk Housing Infrastructure Project financial assets	39,668	34,433
<i>Total financial assets mandatorily measured at FVTSD</i>	737,002	572,237
Total financial assets	1,860,206	819,539
Financial liabilities measured at amortised cost		
Creditors and other payables	66,171	43,667
Borrowings	30,556	20,956
<i>Total financial liabilities measured at amortised cost</i>	96,727	64,623
Total financial liabilities	96,727	64,623

16. CAPITAL AND CAPITAL MANAGEMENT

	2021 \$000	2020 \$000
Opening balance	1,431,900	1,334,900
Capital contribution	73,500	97,000
Balance at 30 June	1,505,400	1,431,900

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

The Crown investment made in CIP is represented by 1,855,400,200 \$1 ordinary shares issued (2020: 1,855,400,200), with 1,505,400,200 being fully paid (2020: 1,431,900,200) and 350,000,000 being unpaid (2020: 423,500,000). The Crown (the Minister of Finance (50%) and the Minister of State Owned Enterprises (50%)) 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 2021

17. INCOME IN ADVANCE

	2021 \$000	2020 \$000
Current	560,021	-
Non-current	322,340	-
Total income in advance	882,361	-

Income in advance relates to funding received from the Crown to be used for IRG grants and loans in future fiscal years. Project Owners are required to meet agreed upon criteria/milestones to be eligible for drawdowns under the funding agreements. The current portion of income in advance represents the funds that CIP expects to disburse in Fiscal 2021 to Project Owners who are anticipated to meet the required criteria/milestones.

18. EVENTS AFTER BALANCE DATE

Following 30 June 2021 CIP has received and invested further funds of:

- \$30 million General Funding Agreement for 3 waters signed on 27th July 2021 with the Department of Internal Affairs; and
- The impact of the 17th August Covid-19 lockdown saw work on all CIP programmes stop. As Alert Levels changed those projects outside Auckland and Waikato remobilised and recommenced work. Projects in Auckland and Waikato recommenced under Alert Level 3. Throughout New Zealand there are some supply chain issues and some cost increases across a number of sectors, with most project owners and programmes working within these constraints. The overall position is activity across all programmes improving, and returning to pre lockdown levels. There has been no material financial impact on CIP due the impacts of COVID level changes.

There have been no other significant events since balance date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

19. EXPLANATION OF SIGNIFICANT VARIANCES AGAINST BUDGET

The 2021 budgeted deficit of \$90.9 million was approved in the 2020/2021 Amendment to the Statement of Performance Expectations.

CONSOLIDATED STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

	Actual 2021 \$000	Budget 2020 \$000
Income		
Interest income	42,260	47,841
Miscellaneous income	1,773	-
Grant Income	263,339	131,859
Net fair value gains on financial assets at FVTSD	61,410	-
Net fair value gains on derivatives	-	-
Gain on sale of investments in LFCs	1,476	6,413
Total income	370,258	186,113
Expenses		
Finance costs	1,672	390
Directors' fees	172	221
Wages and salaries	6,154	7,105
Depreciation expense	79	82
Professional and advisory fees	2,881	7,068
Other expenses	3,318	2,543
Non-grant project expenses (CIP Funding)	16,334	31,269
UFB contributions	69,744	87,079
IRG contributions	8,011	2,294
Grant Expense	214,411	106,112
Fair value losses on FVTSD investments	-	32,885
Net fair value losses on derivatives	3,696	-
Total expenses	326,472	277,048
Surplus/(deficit) before tax	43,786	(90,935)
Tax expense/(credit)	-	-
Net surplus/(deficit)	43,786	(90,935)

EXPLANATION OF SIGNIFICANT VARIANCES

The key variances are:

- Grant income and expense variance is due to changing accounting policy. The initial policy was to treat CIP as an agent, and Grant income and expenses do not feature on CIP's statement of comprehensive revenue and expense (P&L). Following the review of the accounting policy where it was determined that CIP is acting as a principal, and to give the reader of the financial statements greater information, IRG Grant income and expenses are recognised on the face of CIP's P&L.
- Net fair value gains are ~\$94.3m higher than budget due to the forecast interest rate set in June 2020, being ~8.5% and the actual interest rate at 30 June 2021, being ~7%. The interest rates have not increased as forecast as the impact of COVID-19, and interest rates have declined further as the impact of COVID-19 has resulted in declining base interest rates and margins. A movement of 0.5% in interest rates is approximately \$32m in fair value movements.
- UFB contributions are lower than forecast due to the interest rates being less than forecast, giving rise to lower contributions recognised on Chorus UFB investments, rather than a reduced volume of premises passed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

19. EXPLANATION OF SIGNIFICANT VARIANCES AGAINST BUDGET

(CONTINUED)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Actual 2021 \$000	Budget 2021 \$000
Assets		
Current assets		
Cash and cash equivalents (note 13)	202,676	990,498
Short term investments	898,406	-
Trade and other receivables	779	14,234
GST receivable	7,981	656
Prepayments	57	68
Total current assets	1,109,899	1,005,456
Non-current assets		
Property, plant and equipment (excluding fibre assets)	279	279
Investments in infrastructure financed projects (Milldale and fibre assets)	45,152	45,048
Investments in Chorus Equity Securities	371,083	295,407
Investments in Chorus Debt Securities	326,251	276,167
Investments in LFC loans and IRG loans	21,343	31,376
Total non-current assets	764,108	648,277
Total assets	1,874,007	1,653,733
Liabilities		
Creditors and other payables	66,171	26,922
Employee entitlements	848	707
Income in advance (IRG grant payable)	560,021	285,553
Total current liabilities	627,040	313,182
Term liabilities		
Income in advance (IRG grant payable)	322,340	442,146
Term loan	30,556	40,915
Total term liabilities	352,896	483,061
Total liabilities	979,936	796,243
Net assets	894,071	857,490
Contributed capital	1,505,400	1,603,540
Retained earnings	(611,329)	(746,050)
Total equity	894,071	857,490

EXPLANATION OF SIGNIFICANT VARIANCES

The key variances are:

- Cash is higher than budget due to timing of Grant expense claims, and return of recycled funds to CIP, as CCHL/ ENL repaid their loan, and Northpower purchased their remaining shares in NFL from CIP, and CIP is holding Treasury Bills in order to make IRG payments.
- 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.
- Chorus investment valuations, debt securities are higher than budget due to the lower interest rate environment resulting in fair value gains. The fair value gains also apply to equity securities.
- Creditors and other payables are larger than budget, due to the accruals for RBI/MBSF, Marae Digital connectivity, and West Coast Fibre links, where there has been handed 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 2019

19. EXPLANATION OF SIGNIFICANT VARIANCES AGAINST BUDGET (CONTINUED)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Actual 2021 \$000	Budget 2021 \$000
Opening equity	776,785	776,785
Total comprehensive revenue and expense	43,786	(90,935)
Capital contribution - Crown	73,500	171,640
Total equity	894,071	857,490

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 2021 \$000	Budget 2021 \$000
Cash flows from operating activities		
Interest received	2,124	1,025
Grants received	246,109	1,058,592
Other receipts	1,551	6,413
Payments to suppliers and employees	(12,114)	(21,718)
Non-grant project expenses (CIP funded)	(16,793)	(31,269)
Grant payments	(199,517)	(308,205)
GST (net)	(5,760)	(131)
Net cash inflow from operating activities	15,600	704,707
Cash flows from investing activities		
Purchase of property, plant and equipment (excluding fibre assets)	(126)	(200)
Purchase of fibre assets	(5,482)	(2,946)
Acquisition of investments in Chorus Equity Securities	(109,975)	(90,104)
Acquisition of investments in Chorus Debt Securities	(12,157)	(28,134)
Acquisition of investments in LFC loans	(1,222)	(921)
Acquisition of investments in IRG loans	(20,737)	(25,747)
Investments in Milldale Bulk Housing Infrastructure Project	(10,606)	(15,299)
Receipts of payments from investments in Milldale Bulk Housing Infrastructure Project	2,910	899
Proceeds from sale of investments in LFC equity and debt	178,690	177,306
Net cash outflow from investing activities	21,295	14,854
Cash flows from financing activities		
Capital contribution - Crown	80,500	178,640
Debt drawdown	9,821	17,650
Interest paid	(1,538)	(2,351)
Net cash inflow from financing activities	88,783	193,939
Net (decrease)/increase in cash and cash equivalents	125,678	913,500
Cash and cash equivalents at the beginning of the year	76,998	76,998
Cash and cash equivalents at the end of the year	202,676	990,498

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

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 RBI/MBSF build being slower than expected. The RBI/MBSF build has momentum and is expected to complete on time.
- Grant payments are less than expected due to the IRG claims and RBI/MBSF build being slower than expected. As noted above the RBI/MBSF build has momentum and is expected to complete on time. The IRG build has been slower to claim than forecast, as a number of the projects have taken longer to start than expected.
- 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, Northpower purchased CIP's shares, and CCHL repaid their outstanding loan.
- 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.

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 2021 \$000	Appropriation 2021 ¹ \$000	Actual 2020 \$000	Appropriation 2020 \$000
Appropriation for UFB 30 June				
Original appropriation UFB	582,500	582,500	582,500	582,500
Cumulative adjustments	10,000	10,000	10,000	-
Total adjusted appropriation	592,500	592,500	592,500	582,500
Cumulative actual expenditure 1 July	435,000	435,000	345,000	345,000
Current-year expenditure	70,000	157,500	90,000	159,500
Cumulative expenditure	505,000	592,500	435,000	504,500
Appropriation remaining for UFB 30 June	87,500	-	157,500	78,000

	Actual 2021 \$000	Appropriation 2021 \$000	Actual 2020 \$000	Appropriation 2020 \$000
Appropriation for Infrastructure Funding and Financing (IFF) 30 June				
Original appropriation IFF	600,000	600,000	600,000	600,000
Cumulative adjustments	(308,000)	(308,000)	(308,000)	(308,000)
Total adjusted appropriation	292,000	292,000	292,000	292,000
Cumulative expenditure 1 t	24,000	17,000	17,000	17,000
Current-year expenditure	3,500	10,484	7,000	7,000
Cumulative expenditure	27,500	37 509	24,000	24,000
Appropriation remaining to 30 June	264,500	227,007	268,000	268,000

¹ The UFB appropriation has been extended to 30 June 2022.

REPORTING AGAINST APPROPRIATION

(CONTINUED)

Assessment of performance	Actual standard of performance 2020/21	Budgeted standard of performance 2020/21
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 has been met in 2021	Rollout targets are met
Assessment of performance	Actual standard of performance 2020/21	Budgeted standard of performance 2020/21
86% of New Zealanders have access to ultra-fast broadband by the end of 2022	Rollout targets are met. The additional 5% access target has been met in 2021	Rollout targets are met
Assessment of performance	Actual standard of performance 2020/21	Budgeted standard of performance 2020/21
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	Rollout targets are met. The programme will be substantially complete by December 2022	Rollout targets are met
Assessment of performance	Actual standard of performance 2020/21	Budgeted standard of performance 2020/21
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) by end of fiscal 2021	Key projects have been identified and targeted for funding, not fully met	By the end of fiscal 2022
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 2021
Assessment of performance	Actual standard of performance 2020/21	Budgeted standard of performance 2020/21
Rural Broadband Initiative 2 and Mobile Black Spot Fund (insurge regions) milestones achieved as per the programme plan	Rollout targets are met, and milestones achieved	Rollout targets are met
Expanded and accelerated coverage of Ultra-Fast Broadband to West Coast towns (including Haast) as per UFB programme plan	Rollout targets are met, and milestones achieved	Rollout targets are met
Enhanced connectivity in West Coast Digital Connectivity package (deployment of network infrastructure to programme plan when set)	Programme plan set, and milestones achieved	Rollout targets are met
Assessment of performance	Actual standard of performance 2020/21	Budgeted standard of performance 2020/21
Mobile Black Spot Fund milestones achieved as per the programme plan	Rollout targets are met. The programme will be substantially complete by December 2022	Rollout targets are met
Rural Broadband Initiative 2 milestones achieved as per the programme plan	Rollout targets are met. The programme will be substantially complete by December 2022	Rollout targets are met
Assessment of performance	Actual standard of performance 2020/21	Budgeted standard of performance 2020/21
Payments are made in accordance with the terms of the agreement for notified claims with approved grant drawdown requests	Payments were made within agreed terms	Achieved

DIRECTORY

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The Minister for State Owned Enterprises

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

Solicitor:
Bell Gully

Bankers:
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ASB Bank Limited
Bank of New Zealand Limited
Westpac New Zealand Limited
Kiwibank Limited

Senior Management:
Graham Mitchell, Chief Executive Officer
Dougal Evison, Chief Financial Officer
Jeremy Holman, General Manager Infrastructure Delivery
John Greenhough, Chief Technology Officer
Nick Manning, General Manager Government and Industry Relations
Kathryn Mitchell, Chief Legal and Risk Officer
Sean Wynne, Deputy CEO - Infrastructure Funding and Financing

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