



Agreed-upon procedures report

To: Enable Networks Limited (the Engaging Party)

Purpose of this Agreed-Upon Procedures Report

In accordance with our letter of engagement dated 19 September 2022, we have performed the procedures agreed with you to report factual findings for the purpose of assisting Enable Networks Limited, to provide information as required under the Notice to supply information to the Commerce Commission under section 221 of the *Telecommunications Act 2001* - Requirements for initial information disclosure regulatory asset base (RAB) (core fibre assets and financial loss asset) and opening tax losses for disclosure year 2022, dated 16 August 2022 (“the Notice”) relating to clauses A7 to A9 of the Notice.

Responsibilities of the Engaging Party

The Engaging Party has acknowledged, with reference to the Notice, that the agreed-upon procedures are appropriate for the purpose of the engagement.

The Engaging Party (also the Responsible Party) is responsible for the subject matter on which the agreed-upon procedures are performed and the compliance of the agreed upon procedures with clauses A7 to A9 of the Notice.

Professional Ethics and Quality Control

We have complied with the ethical requirements of Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards)* (New Zealand) (PES 1), including the independence requirements in Part 4A of PES 1.

In accordance with International Standard on Quality Control (ISQC) 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Service Engagements* or other professional requirements, or requirements in law or regulation, that are at least as demanding, our firm maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our responsibilities

Our responsibility is to report factual findings obtained from conducting the procedures agreed. We disclaim any assumption of responsibility for the adequacy or otherwise of the procedures requested. We conducted the engagement in accordance with the International Standard on Related Services (New Zealand) (ISRS (NZ)) 4400 *Agreed-Upon Procedures Engagements*.

Because the agreed-upon procedures do not constitute either a reasonable or limited assurance engagement in accordance with auditing, review or other assurance engagement standards issued by the New Zealand Auditing and Assurance Standards Board (NZAuASB), we do not express any conclusion and provide no assurance on the information as required under the Notice. Had we performed additional procedures or had we performed an audit, a review or another assurance engagement of the information as required under the Notice in accordance with auditing, review or other assurance engagement standards issued by the NZAuASB, other matters might have come to our attention that would have been reported to you.

Procedures and Findings

We have performed the procedures described below, which were agreed upon with the Engaging Party in the letter of engagement dated 19 September 2022, with reference to clauses A7 to A9 of the Notice. The procedures are not designed to and are not likely to reveal fraud or misrepresentation by the employees of the Engaging Party. Accordingly, we cannot accept responsibility for detecting fraud or misrepresentation by the employees of the Engaging Party.



The procedures performed and the factual findings obtained are as follow:

Procedures Performed	Findings
<p>1. We have reconciled the figures provided as inputs to the Commission model ("spreadsheet model with the filename LFC financial loss asset model – Enable (uploaded 09-12-2022)") back to the fixed asset registers received from management (summarised in “A24 Depreciation of assets constructed or acquired during the financial loss period”, “A26 Value of commissioned assets for UFB assets.xls” and “A50 Tax Information.xlsx” and reported all differences for the following metrics:</p> <ul style="list-style-type: none"> a. capital expenditure; b. asset value adjustments other than depreciation; c. end of financial year book value; d. end of financial year tax book value; e. accounting depreciation; and f. tax depreciation. 	<p>1.</p> <ul style="list-style-type: none"> a. Differences in capital expenditure noted related to the following, rounded to nearest thousand: Capital contributions removed – (\$5,664k) Right of use assets included - \$4,853k Other - \$56k b. No differences noted in asset value adjustments other than depreciation. c. Differences in the end of financial year book value noted related to the following, rounded to nearest thousand: Capital contributions removed – (\$5,249k) Revaluation removed - \$4,700k Right of use assets included - \$4,437k Other - \$60k d. Differences in the end of financial year tax book value noted related to the following, rounded to nearest thousand: Other – (\$605k) e. Differences in the accounting depreciation noted related to the following, rounded to nearest thousand: Capital contributions removed – (\$415k) Right of use assets included – \$416k Revaluation depreciation removed – (\$4,700k) Other - \$33k f. No differences noted in the tax depreciation.
<p>2. We have reconciled the figures provided as inputs to the Commission model ("spreadsheet model with the filename LFC financial loss asset model – Enable (uploaded 09-12-2022) ") back to Enable Networks Limited’s financial accounting systems used to prepare general purpose financial statements (general ledger) and reported all differences for the following metrics:</p>	<p>2.</p> <ul style="list-style-type: none"> a. We identified \$1k of difference in the UFB operating expenditure cash flows due to rounding. b. We did not identify any differences in the UFB revenue cash flows. c. We did not identify any differences in the capital contributions originally accounted for as revenue under GAAP.



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- a. UFB operating expenditure cash flows;
 - b. UFB revenue cash flow; and
 - c. capital contributions originally accounted for as revenue under GAAP.
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3. As part of the reconciliation under procedure 2 above, we obtained ("A13 EFB revenues cash flow.xlsx and A17 UFB operating costs cash flow.xlsx"), as prepared by the Engaging Party's management, and identified and reported the following items:

- a. any accruals valued at \$1 million or more that are included in either or both of the operating costs inputs or revenue inputs;
- b. any non-cash items valued at \$1 million or more that are included in either or both of the operating costs inputs or revenue inputs; and
- c. the cumulative net effect of accruals and non-cash items that are not included in 3a or 3b above.

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a - c. Accruals and non-cash items identified and reported by management are included in ("A13 EFB revenues cash flow.xlsx and A17 UFB operating costs cash flow.xlsx"). Items over \$1 million include:

- Income in advance;
- Working capital (accounts receivable, accounts payable and inventory)
- Employee Entitlements;
- GST balances

Refer to ("A13 EFB revenues cash flow.xlsx and A17 UFB operating costs cash flow.xlsx") for details of the items by financial loss year.

Restriction on use and distribution of our report

Our report has been prepared solely for the purpose set forth in the first paragraph of this report and, except as noted below, should not be relied upon for any other purpose or distributed to any other party.

Under the terms of our engagement our report may be provided to the Commerce Commission in accordance with the Notice. Notwithstanding the Notice, we do not accept or assume a duty of care or other legal responsibility to the Commerce Commission.

To the fullest extent permitted by law, we do not accept or assume liability or responsibility to anyone other than the Engaging Party, for this report or for any purpose other than that for which it was prepared. A copy of the Letter of Engagement (excluding the clause relating to fees) and the related terms of business under which this service was provided are attached hereto and should be read with this report.

Our report on factual findings was completed on 9 December 2022, and our findings are expressed as at that date.

PricewaterhouseCoopers.

Chartered Accountants

Christchurch, New Zealand