

## Northpower Fibre Limited's Response to Commerce Commission's Initial ID RAB Information Request - Overview

### 1.0 Introduction

This document provides information to support **Northpower** Fibre Limited's (Northpower Fibre) response to the Commerce Commission's notice to supply information under section 221 of the Telecommunications Act 2001, dated 16 August 2022, regarding requirements for initial information disclosure regulatory asset base (RAB) (core fibre assets and financial loss asset) and opening tax losses for disclosure year 2022 (the information request).

**Northpower Fibre** is an ID regulated provider under section 226 of the Telecommunications Act 2001 that is subject to information disclosure regime. The Input Methodologies (IMs) define **Northpower Fibre** as Northpower Fibre Limited (NFL) or any subsidiary of, or successor to, that company. On 1 May 2021, prior to the commencement of the information disclosure (ID) regulation, Northpower LFC2 Limited (LFC2) amalgamated with NFL. Both NFL and LFC2 were entities setup solely to provide **FFLAS** under the **UFB initiative**.

NFL was set up for the original **UFB initiative** with Northpower Limited and Crown Fibre Holdings Limited (now called Crown Infrastructure Partners), being the original shareholders of NFL. The shareholdings changed over time in accordance with the Shareholders Agreement between Northpower Limited and Crown Infrastructure Partners Limited (CIP) dated 13 December 2010. Northpower Limited purchased the final shares in NFL on 1 April 2021 and NFL became a wholly owned subsidiary of Northpower Limited at that date.

LFC2 was incorporated on 26 January 2017 and set up solely to provide services under the UFB 2 initiative. The Company was a wholly owned subsidiary of Northpower Limited and CIP has provided debt funding to LFC2, with drawdowns taking place in a number of the **financial loss years**. The funding is repayable beyond the **financial loss period**.

On 1 May 2021, LFC2 amalgamated with NFL and therefore ceased to exist as a separate entity as at that date. LFC2 data has been included in the calculation of the **financial loss asset** prior to the amalgamation date.

Various sections of the information request requires information to be reconciled to audited and published financial accounts. We have reconciled to audited financial statements however, for completeness, we note that not all financial accounts have been published.

## 2.0 Summary Information

Our response to the requirements set out in the information request notice includes data compiled in several spreadsheets. In accordance with the information request, all underlying formula and input data are accessible in the spreadsheets provided. The table below sets out the spreadsheets file names and purposes.

**Table 1 Information Request spreadsheets provided**

File Name	Purpose
3.0 Financial Loss Asset Model	This is the <b>financial loss asset</b> model completed by Northpower Fibre. The model is the template provided by the Commerce Commission as part of the Information Request received on 16 August 2022.
04. A13-A16 & A29_UFB revenue cash flow summary	This excel file outlines the <b>UFB revenue cash flow</b> and the amounts to support responses to sections A13-A16 and A29 of the Information Request.
05. A17-20_UFB operating expenditure cash flow summary	This excel file outlines the <b>UFB operating expenditure cash flow</b> and the amounts to support responses to sections A17-20 of the Information Request.
06. A22-23_Crown Financing summary	This excel file outlines the <b>Crown financing</b> net drawdowns and the amounts to support responses to sections A22-A23 of the Information Request.
07. A24-25_Depreciation summary	This excel file outlines the depreciation expense and the accumulated depreciation adjustments in respect of capital contribution to support responses to sections A24 and A25 of the Information Request.
08.A25&A29_Cap con adj	This excel file outlines the depreciation and <b>value of commissioned asset</b> adjustments in respect of capital contribution to support responses to sections A25 and A29 of the Information Request.
09. A26-28 & A30_Commissioned and disposed asset summary	This excel file outlines the <b>value of commissioned assets</b> and <b>disposed assets</b> to support responses to sections A26-A28 and A30 of the Information Request.
10. A34_Cost of financing	This excel file outlines the cost of financing to support responses to section A34 of the Information Request.
11. A50-51 & A55-56 Tax Revenue & Opex	This excel file outlines <b>UFB tax revenue</b> and <b>UFB tax operating expenditure</b> , including details of <b>permanent and temporary differences</b> . This information supports the tax information section of the Information Request.
12. A53.1-53.2 & A53.9-53.10 Tax asset values	This excel file outlines the tax asset roll forward each <b>financial loss year</b> and supports the tax information section of the Information Request.
13. A53.4 UFB assets not maintained for tax	This excel file outlines the <b>UFB assets</b> that do not have a matching asset maintained under the <b>tax rules</b> .
14. A53.6-53.7 Tax remaining lives and deprecation rates	This excel file outlines the weighted average remaining tax life of assets employed and tax depreciation rates by <b>asset class</b> . It supports the responses to sections A53.6 and A53.7 of the Information Request.
15. A60 Initial RAB value of core fibre assets	This excel file outlines the <b>initial RAB values of core fibre assets</b> and supports the responses to section A60 of the Information Request.

All terms included in this document that have the same meaning as those defined in the Information Request and in the **IM Determination** have been highlighted in bold italics. Key terms used by Northpower Fibre have been defined and explained in the relevant section of this document.

### Fibre Initial RAB Value and UFB closing tax losses on the last day of financial loss year 2022

We have assessed the values as follows:

- a) Initial RAB value

	\$000
<b>Financial loss asset</b>	11,084
<b>Core fibre assets</b>	72,959
<b>Initial RAB value</b>	84,043

- b) **UFB closing tax losses** on the last day of **financial loss year 2022** \$14,719.

### 3.0 UFB Revenue Cash Flow

A13 UFB revenue cash flow for each financial loss year aggregated according to revenue class

**UFB revenue cash flows** are set out in the excel file named '04. A13-16 & A29\_UFB revenue cash flow summary'. All excel file references in this section of the overview document refer to that excel workbook unless otherwise stated.

The **UFB revenue cash flows** for each **financial loss year** is the sum of NFL and LFC2, and the total values are shown in the table below:

Table 2 UFB Revenue Cash Flow (\$000)

	7 months to 30 Jun 12	Full year to 30 Jun 13	Full year to 30 Jun 14	Full year to 30 Jun 15	Full year to 30 Jun 16	Full year to 30 Jun 17	Full year to 30 Jun 18	Full year to 30 Jun 19	Full year to 30 Jun 20	Full year to 30 Jun 21	6 months to 31 Dec 21
UFB revenues cash flow - FLA model LFC inputs row 7	153	585	957	2,199	3,929	5,443	7,219	8,931	11,091	12,544	6,906
From:											
NFL	153	585	957	2,199	3,929	5,443	7,109	8,086	9,175	10,201	6,906
LFC2	-	-	-	-	-	-	110	845	1,916	2,343	-
	153	585	957	2,199	3,929	5,443	7,219	8,931	11,091	12,544	6,906

Paragraph A13.2 of the Information Request requires a breakdown of revenue by **revenue class**. **Revenue class** is defined in paragraph A3.4.63 of the Information Request as:

“groupings of revenue for similar products (for example, revenue for residential fibre access services or business fibre access services).”

The excel file provides a breakdown of revenue by **revenue class** (excel summary rows 17-20 and rows 38-41) and a further breakdown of fibre connection services revenue is provided in the excel sheet 'Fibre Conn Serv Breakdown'. Fibre connection services revenue is derived by Northpower Fibre from the provision of **UFB FFLAS**.

Revenue numbers have in the first instance been obtained from NFL's and LFC2's audited financial statements. Where necessary, a further breakdown of amounts disclosed as other income in the financial statements has been obtained from general ledger data. Financial statements do not disclose revenue by **revenue class** so in order to satisfy the Information Request requirement, we have utilised the revenue breakdown provided in Schedule 5 of the annual LFC UFB Information Disclosure schedules, and the total of these amounts has been reconciled to our financial statements.

#### A14 Revenue Allocations

This section is not applicable because all gross revenue is directly attributable to the provision of **UFB FFLAS**.

#### A15 Reconciliation of UFB revenues cash flow to operating revenue in Northpower's general-purpose financial statements

The excel summary sheet provides a reconciliation of **UFB Revenue Cash Flow** to total income included in NFL's and LFC2's Statements of Comprehensive Income for each **financial loss year**. NFL is no longer required to prepare stand-alone general purpose financial statements due to its shareholding and the last set was prepared for the 12 months ended 30 June 2021. The final period of data included in the **financial loss period** is the 6 months ended 31 December 2021 and this has been reconciled to NFL's LFC UFB Information Disclosure schedules for the same period.

The reconciliation includes a number of adjustments as outlined below.

##### 1.0 Timing adjustments. These are:

- a) **NFL** (excel summary row 24) - a timing adjustment of \$19k has been included in cell B24. This represents NFL revenue included in the June 2012 financial statements that was earned prior to the start of the **UFB Revenue Cash Flow** period for the 7 months ended 30 June 2012. The general ledger detail is no longer readily available for this period because the finance function was outsourced for NFL and the period is now outside of that for which we are required to retain detailed financial records. However, a model recording the monthly management results is available and we have utilised this to split the June 2012 year to pre and post 1 December 2012. We have reconciled the full year management results model to the audited financial statements to provide comfort these amounts are accurate.
- b) **LFC2** - LFC2's financial year end was 31 March, with the final set of financial statements covering 13 months ended 30 April 2021. **UFB Revenue Cash Flows** have been provided for the periods required by the Information Request, therefore the reconciliation to LFC2's financial statements includes the timing adjustments (excel summary row 45) outlined below. The timing adjustment for each year has been obtained from the monthly billing records, which is the same data used to prepare the annual LFC UFB Information Disclosure schedules and reconciled the full year financial statements. The timing adjustments net to nil over the whole **financial loss period**.

Table 3 LFC2 Timing Adjustment UFB Revenues Cash Flow

UFB Revenues Cash Flow Period	LFC2 Financial Statements Period	LFC2 Timing Adjustment Period	Timing Adjustment \$000 (excel summary row 45)
7 months to 30 June 2012	N/A – pre start of Northpower LFC2 Limited	N/A – pre start of Northpower LFC2 Limited	-
Full year to 30 June 2013	N/A – pre start of Northpower LFC2 Limited	N/A – pre start of Northpower LFC2 Limited	-
Full year to 30 June 2014	N/A – pre start of Northpower LFC2 Limited	N/A – pre start of Northpower LFC2 Limited	-
Full year to 30 June 2015	N/A – pre start of Northpower LFC2 Limited	N/A – pre start of Northpower LFC2 Limited	-
Full year to 30 June 2016	N/A – pre start of Northpower LFC2 Limited	N/A – pre start of Northpower LFC2 Limited	-
Full year to 30 June 2017	N/A – no financial statements prepared	N/A – Northpower LFC2 incorporated January 2017 but no revenue was generated until October 2017	-
Full year to 30 June 2018	15 Months Ended 31 March 2018	1 April - 30 June 2017 & 1 April - 30 June 2018	(66)
Full year to 30 June 2019	Year Ended 31 March 2019	1 April - 30 June 2018 & 1 April - 30 June 2019	(225)
Full year to 30 June 2020	Year Ended 31 March 2020	1 April - 30 June 2019 & 1 April - 30 June 2020	(238)
Full year to 30 June 2021	13 Months Ended 30 April 2021	1 April - 30 June 2020	529
6 months to 31 December 2021	N/A – Northpower LFC2 ceased. Amalgamated with NFL 1 May 2021	N/A – Northpower LFC2 ceased. Amalgamated with NFL 1 May 2021	-

The timing adjustments have been shown as a single value for each financial loss year, rather than showing a breakdown by **revenue class**. Whilst the breakdown by **revenue class** could be prepared, we consider that the time required would be onerous compared to the benefit provided by this additional information.

**2.0** The following items have been excluded from **UFB Revenue Cash Flow** because they are not revenue derived from the provision of **UFB FFLAS**:

- a) Cost recovery from LFC2 and Northpower Limited (excel summary sheet row 25). This is the recovery of costs incurred by NFL on behalf of LFC2 and Northpower Limited. The costs have also been excluded from NFL's **UFB operating expenditure cash flows**.
- b) **Capital contributions** (excel summary sheet rows 26 and 46). This exclusion is required by clause B1.1.2 (3) (b) of Schedule B in the **IM**. The total **capital contribution** revenue for NFL and LFC2 for the entire **financial loss period** agrees to the value deducted from asset values. However, the year-by-year adjustment differs because of the timing difference between LFC2 financial statements and the **financial loss year**, as outlined on section 9 of this overview document.

- c) Deferred Income Release (excel summary sheet row 27 and 47) -  
Deferred income is recognised on receipt of the interest free Crown loan and represents the difference between the cash amount received (and repayable) and the fair value of the loan when received. Deferred income is recognised in the Statement of Comprehensive Income over the periods necessary to match the related depreciation charges, or other expenses of the asset as they are incurred. This income is not earned from the provision of **UFB FFLAS** and is non-cash so we have excluded it from **UFB revenue cash flow**.
- d) Interest Income (excel summary sheet rows 28 and 48) – Interest income is not associated with the provision of **UFB FFLAS** because it is a result of cash held.

**A16 Adjustments to the UFB revenues cash flow including capital contributions that are reconcilable to amounts deducted from the value of commissioned assets**

**Capital contributions** have been excluded from **UFB revenues cash flow**. This is demonstrated in the reconciliation of operating revenue and shown on lines 26 and 46 of the excel summary sheet. The total **capital contribution** revenue for NFL and LFC2 for the entire **financial loss period** agrees to the value deducted from asset values. However, the year-by-year adjustment differs because of the timing difference between LFC2 financial statements and the **financial loss year**, as outlined on section 9 of this overview document.

**4.0 UFB Operating Expenditure Cash Flow**

**UFB operating expenditure cash flows** are set out in the excel file named '05.A17-20\_UFB operating expenditure cash flow summary'. All excel file references in this section of the overview document refer to that excel workbook unless otherwise stated.

The **UFB operating expenditure cash flows** for each **financial loss year** is the sum of NFL and LFC2. The total values are shown in the table below:

**Table 4 UFB operating expenditure cash flow (\$000)**

\$000	7 months to 30 Jun 12	Full year to 30 Jun 13	Full year to 30 Jun 14	Full year to 30 Jun 15	Full year to 30 Jun 16	Full year to 30 Jun 17	Full year to 30 Jun 18	Full year to 30 Jun 19	Full year to 30 Jun 20	Full year to 30 Jun 21	6 months to 31 Dec 21
UFB operating expenditure cash flow - FLA model LFC inputs row 12	457	1,246	1,639	2,373	2,747	3,048	3,592	3,802	4,009	4,697	2,884
From:											
NFL	457	1,246	1,639	2,373	2,747	3,048	3,508	3,370	3,355	3,863	2,884
LFC2	-	-	-	-	-	-	84	432	654	834	-
	457	1,246	1,639	2,373	2,747	3,048	3,592	3,802	4,009	4,697	2,884

**A17 Costs incurred under the UFB Initiative that are either directly attributable or not directly attributable to the provision or UFB FFLAS**

**Operating costs** that are either directly attributable or not directly attributable to the provision of **UFB FFLAS** equals the **UFB operating expenditure cash flows** outlined above. This is because there are no costs incurred by NFL or LFC2 that are shared by **FFLAS** and non **FFLAS** services.

**A18 Excluded operating costs that are directly attributable to services that are not UFB FFLAS**

NFL includes **operating costs** incurred on behalf of LFC2 and Northpower Limited. These amounts have been recharged and included as income in NFL's general purpose financial statements. The costs are shown on the excel file summary row 24 and have been excluded from **UFB operating expenditure cash flows**. The revenue has also been excluded from **UFB Revenue cash flow**.

**A19 Reconciliation of operating costs to Northpower' published general purpose financial statements**

The excel summary sheet provides a reconciliation of **UFB operating expenditure cash flow** to total expenses included in NFL's and LFC2's general-purpose financial statements for each **financial loss year**. NFL is no longer required to prepare stand-alone general purpose financial statements due to its shareholding and the last set was for the 12 months ended 20 June 2021. The final period of data included in the financial loss asset is the 6 months ended 31 December 2021 and this has been reconciled to NFL's LFC UFB Information Disclosure for the same period.

The reconciliation includes a number of adjustments as outlined below.

**1.0** Timing adjustments. These are:

- a) **NFL** (excel summary row 22) - A timing adjustment of \$235k has been included in cell B22. This represents NFL **operating costs** included in the June 12 financial statements that were incurred prior to the start of the **financial loss year** for the 7 months ended 30 June 2012. The general ledger detail is no longer readily available for this period because the finance function was outsourced for NFL and the period is now outside of that for which we are required to retain detailed financial records. However, a model recording the monthly management results is available and we have utilised this to split the June 2012 year to pre and post 1 December 2012. We have reconciled the full year management results model to the audited financial statements to provide comfort these amounts are accurate.
  
- b) **LFC2** LFC2's financial year end was 31 March and the **UFB Operating expenditure cash flow** have been provided for the periods required by the Information Request, therefore the reconciliation to LFC2's financial statements includes the timing adjustments (excel summary row 38) outlined below. The timing adjustment for each year has been calculated from LFC2's general ledger data and reconciled to the audited financial statements. The timing adjustments net to nil over the whole **financial loss period**.

Table 5 LFC2 Timing Adjustment UFB Operating Expenditure Cash Flow

UFB Operating Expenditure Cash Flow Period	LFC2 Financial Statements Period	LFC2 Timing Adjustment Period	Timing Adjustment \$000 (excel summary row 45)
7 months to 30 June 2012	N/A – pre start of Northpower LFC2 Limited	N/A – pre start of Northpower LFC2 Limited	-
Full year to 30 June 2013	N/A – pre start of Northpower LFC2 Limited	N/A – pre start of Northpower LFC2 Limited	-
Full year to 30 June 2014	N/A – pre start of Northpower LFC2 Limited	N/A – pre start of Northpower LFC2 Limited	-
Full year to 30 June 2015	N/A – pre start of Northpower LFC2 Limited	N/A – pre start of Northpower LFC2 Limited	-
Full year to 30 June 2016	N/A – pre start of Northpower LFC2 Limited	N/A – pre start of Northpower LFC2 Limited	-
Full year to 30 June 2017	N/A – no financial statements prepared	N/A – Northpower LFC2 incorporated January 2017 but no revenue was generated until October 2017	-
Full year to 30 June 2018	15 Months Ended 31 March 2018	1 April - 30 June 2017 & 1 April - 30 June 2018	(29)
Full year to 30 June 2019	Year Ended 31 March 2019	1 April - 30 June 2018 & 1 April - 30 June 2019	(112)
Full year to 30 June 2020	Year Ended 31 March 2020	1 April - 30 June 2019 & 1 April - 30 June 2020	(70)
Full year to 30 June 2021	13 Months Ended 30 April 2021	1 April - 30 June 2020	211
6 months to 31 December 2021	N/A – Northpower LFC2 ceased. Amalgamated with NFL 1 May 2021	N/A – Northpower LFC2 ceased. Amalgamated with NFL 1 May 2021	-

The timing adjustments have been shown as a single value for each financial loss year, rather than showing a breakdown by expenditure category. Whilst the breakdown by expenditure category could be prepared, we consider that the time required would be onerous compared to the benefit provided by this additional information.

**2.0** The following items have been excluded from **UFB operating expenditure cash flow** because they are not incurred from the provision of **UFB FFLAS**:

- a) Cost recovery from LFC2 and Northpower Limited, included in the excel summary row 24 and as described in response to item A18 above.
- b) Loss on Disposal of Assets (excel summary row 23). This is not an **operating cost** because it is a cost that is treated as a cost of an asset by **GAAP**.

**A20** Provide the UFB operating expenditure cash flow for each financial loss year and aggregated according to expenditure classes

A breakdown of expenditure according to expenditure categories is provided in the excel worksheet 'expenditure breakdown'. The Information Request does not define expenditure categories and therefore we have taken a similar approach to that applied in the revenue breakdown and provided the expenditure breakdown included in the annual LFC UFB Information Disclosures (schedule 2).



## 5.0 UFB Cost Allocation Adjustment Cash Flow

A21 Provide, by asset class, the opening cost allocator value, closing cost allocator value and proposed UFB cost allocation adjustment cash flow for each financial year

This section is not applicable for NFL because there are no assets shared between **FFLAS** and non-**FFLAS** services.

## 6.0 Present Value of Crown Financing

The amounts that support the **Crown financing** responses to the Information Request are included in the excel file named '06. A22-23\_Crown Financing Summary'. All excel file references in this section of the overview document refer to that excel workbook unless otherwise stated.

**Crown financing** inputs included in the **Commission model** are outlined in the table below:

Table 6 LFC2 Timing Adjustment UFB Revenues Cash Flow

	7 months to 30 Jun 12	Full year to 30 Jun 13	Full year to 30 Jun 14	Full year to 30 Jun 15	Full year to 30 Jun 16	Full year to 30 Jun 17	Full year to 30 Jun 18	Full year to 30 Jun 19	Full year to 30 Jun 20	Full year to 30 Jun 21	6 months to 31 Dec 21					
Crown financing drawn down (A22.1) - FLA model inputs row 33	\$000	6,731	7,381	9,761	267	-	284	3,842	4,766	5,890	1,443	146				
Crown financing repaid (A22.2) - FLA model inputs row 34	\$000	150	499	1,093	1,499	1,305	1,372	1,400	843	707	17,433	-				
Net drawdown	\$000	6,582	6,883	8,668	-	1,232	-	1,305	-	1,088	2,442	3,923	5,183	-	15,990	146
Proportion of net drawdowns which is, in substance, debt - FLA model inputs row 35	%	0%	0%	0%	0%	0%	0%	157%	118%	114%	-9%	100%				

NFL includes equity **Crown funding** via shares held by CIP. These shares were progressively purchased by Northpower Limited during the **financial loss period** and the final buyout took place on 1 April 2021. Equity transactions (drawdowns and repayments) agree to the Companies Office record of share transactions and reconcile to share capital included in the financial statements.

LFC2 includes debt funding received from the Crown via an interest free loan provided by CIP. This loan was drawn-down throughout the **financial loss period** to align with the build of the fibre network and the total amount remains outstanding at the regulation **implementation date** (1 January 2022). Debt drawdowns included in Northpower Fibre's **financial loss asset** calculation align with the dates the cash was received.

A22 Provide the amount of Crown financing drawn down and repaid by Northpower in each financial loss year

Rows 21 and 22 of the excel file outline the total **Crown financing** drawdowns and repayments for each **financial loss year**. These amounts have been calculated as outlined above.

A23 Provide the amount of Crown financing drawn down and repaid by Northpower each financial loss year that is in substance debt and equity  
Drawdowns and repayments of equity and debt **Crown Financing** have been determined as outlined above. The amounts are included in the excel file, as follows:

- **Crown financing** drawn down for each **financial loss year** that is in substance equity is included in row 15 of the excel file. This is equity funding received by NFL and the amounts reconcile to the companies office share transactions and movements in share capital in the financial statements.
- **Crown financing** drawn down for each **financial loss year** that is in substance debt is included in row 8 of the excel file.
- **Crown financing** repaid for each **financial loss year** that is in substance equity is included in row 16 of the excel file.
- **Crown financing** repaid for each **financial loss year** that is in substance debt is included in row 9 of the excel file (this amount is nil).

We have amended the **Commission model** provided by the Commerce Commission (sheet Model inputs, cell C94, and sheet DCF, cell D66) to account for **Crown financing** equity funding drawn down prior to the commencement of the **financial loss period** and repaid during the period. Without this adjustment, Crown equity fund repaid during the **financial loss period** would have exceeded drawdowns. The adjustment reduced the financial loss asset by \$1,758k.

## 7.0 Depreciation

The amounts that support the depreciation expense responses to the Information Request are included in the excel file named '07. A24-A25\_Depreciation summary'. All excel file references in this section of the overview document refer to that excel workbook unless otherwise stated.

Depreciation has been taken from NFL and LFC2's **FAR** and reconciled to the audited financial statements for NFL and LFC2. NFL is no longer required to prepare stand-alone general purpose financial statements due to its shareholding, and the last set was for the 12 months ended 20 June 2021. The final period of data included in the **financial loss period** is the 6 months ended 31 December 2021 and this has been reconciled to NFL's LFC UFB Information Disclosures for the same period.

The total values are shown in the table below:

**Table 7 Depreciation (\$000)**

\$000	7 months to 30 Jun 12	Full year to 30 Jun 13	Full year to 30 Jun 14	Full year to 30 Jun 15	Full year to 30 Jun 16	Full year to 30 Jun 17	Full year to 30 Jun 18	Full year to 30 Jun 19	Full year to 30 Jun 20	Full year to 30 Jun 21	6 months to 31 Dec 21
Depreciation unallocated - FLA model input row 17	130	522	1,156	1,579	1,863	2,198	2,503	2,898	3,394	3,932	2,050
Depreciation allocated - FLA model input row 18	130	522	1,156	1,579	1,863	2,198	2,503	2,898	3,394	3,932	2,050

### A24 Provide a list of depreciation and any impairment losses recognised by Northpower for each financial loss year and aggregated according to asset class

The amounts included in the excel file have been grouped by **asset class**, which are consistent with the **asset classes** reported for **the value of commissioned assets** and the **initial RAB values of core fibre assets**. The **assets classes** are aggregates of many individual assets from the **FAR**, grouping together those which perform similar roles and possess similar characteristics (e.g. duct, aerial fibre or underground fibre).

The excel file includes the following timing adjustments:

- a) **NFL** (excel row 26) - A timing adjustment of -\$22k has been included in cell B26. This represents NFL depreciation included in the June 12 financial statements that were incurred prior to the start of the **financial loss year** for the 7 months ended 30 June 2012.
- b) **LFC2** - LFC2's financial year end was 31 March. The excel file (row 27) includes a timing difference to align the total depreciation to the periods required by the Information Request, as outlined in the table below:

**Table 8 LFC2 Timing Adjustment Depreciation**

UFB Operating Expenditure Cash Flow Period	LFC2 Financial Statements Period	LFC2 Timing Adjustment Period	Timing Adjustment \$000 (excel summary row 45)
7 months to 30 June 2012	N/A – pre start of Northpower LFC2 Limited	N/A – pre start of Northpower LFC2 Limited	-
Full year to 30 June 2013	N/A – pre start of Northpower LFC2 Limited	N/A – pre start of Northpower LFC2 Limited	-
Full year to 30 June 2014	N/A – pre start of Northpower LFC2 Limited	N/A – pre start of Northpower LFC2 Limited	-
Full year to 30 June 2015	N/A – pre start of Northpower LFC2 Limited	N/A – pre start of Northpower LFC2 Limited	-
Full year to 30 June 2016	N/A – pre start of Northpower LFC2 Limited	N/A – pre start of Northpower LFC2 Limited	-
Full year to 30 June 2017	N/A – no financial statements prepared	N/A – Northpower LFC2 incorporated January 2017 but no revenue was generated until October 2017	-
Full year to 30 June 2018	15 Months Ended 31 March 2018	1 April - 30 June 2017 & 1 April - 30 June 2018	65
Full year to 30 June 2019	Year Ended 31 March 2019	1 April - 30 June 2018 & 1 April - 30 June 2019	88
Full year to 30 June 2020	Year Ended 31 March 2020	1 April - 30 June 2019 & 1 April - 30 June 2020	174
Full year to 30 June 2021	13 Months Ended 30 April 2021	1 April - 30 June 2020	(327)
6 months to 31 December 2021	N/A – Northpower LFC2 ceased. Amalgamated with NFL 1 May 2021	N/A – Northpower LFC2 ceased. Amalgamated with NFL 1 May 2021	-

The timing adjustments have been shown as a single value for each **financial loss year**, rather than showing a breakdown by **asset class**. Whilst the breakdown by **asset class** could be prepared, we consider that the time required would be onerous compared to the benefit provided by this additional information.

**A25** Provide details in respect of capital contributions deducted from the costs incurred by Northpower in constructing or acquiring a UFB asset for each financial loss year and a reconciliation of the revised depreciation data to the unadjusted depreciation data, which reconciles to Northpower’s published general-purposes financial statements

The value of **capital contributions** deducted from assets equals the amounts recognised as revenue each period. The amount deducted and depreciation impact is shown in the table below.

**Table 9 Capital contribution deduction for assets and depreciation impact**

	7 months to 30 Jun 12	Full year to 30 Jun 13	Full year to 30 Jun 14	Full year to 30 Jun 15	Full year to 30 Jun 16	Full year to 30 Jun 17	Full year to 30 Jun 18	Full year to 30 Jun 19	Full year to 30 Jun 20	Full year to 30 Jun 21	6 months to 31 Dec 21								
<b>Compliance with A25</b>																			
<b>\$000 depreciation adjustment on capital contribution</b>																			
Period depreciation				-	10	22	29	36	48	64	37								
Accumulated depreciation				-	10	32	61	97	145	209	246								
<b>Compliance with A29</b>																			
<b>\$000 Deduction to the value of commissioned asset</b>																			
Period deduction				-	26	-	494	-	233	-	160	-	208	-	522	-	390	-	381
Cumulative deduction				-	26	-	520	-	753	-	913	-	1,121	-	1,643	-	2,033	-	2,414
Total capital contribution revenue in financial statements	2,414											-							

The reconciliation of the revised depreciation data to the unadjusted depreciation data, which reconciles to the Northpower Fibre’s published general purpose financial statements, is provided in the file named ‘07. A24-25\_Depreciation summary’.

Whilst we can identify the total value of **capital contribution** accounted for under **GAAP** for each **financial loss period**, by referring to **capital contribution** income, information to link **capital contribution** accounted under **GAAP** to specific **commissioned asset** is not readily available within the **FAR**. Therefore, we have deducted the value of **capital contributions** as a single line item. We assessed the depreciation on these assets by applying an average depreciation rate, based on a sample of assets for which we have been able to locate the breakdown. The average estimated useful life we have applied to the **capital contribution** assets is 29.58 years.

## 8.0 Value of commissioned assets for UFB assets

The **value of commissioned assets** are set out in the excel file named ‘09. A26-28 & A30\_Commissioned and disposed asset summary’. All excel file references in this section of the overview document refer to that excel workbook unless otherwise stated.

The **value of commissioned assets** for each **financial loss year** is the sum of NFL and LFC2 and the total values are shown in the table below:

**Table 10 Value of commissioned assets**

	Start date 1 Dec 11	7 months to 30 Jun 12	Full year to 30 Jun 13	Full year to 30 Jun 14	Full year to 30 Jun 15	Full year to 30 Jun 16	Full year to 30 Jun 17	Full year to 30 Jun 18	Full year to 30 Jun 19	Full year to 30 Jun 20	Full year to 30 Jun 21	6 months to 31 Dec 21
Sum of value of commissioned assets (incl. cap con adj)		8,836	8,180	13,164	4,493	4,785	4,238	13,467	9,995	13,562	9,781	3,015

**A26/A27** Provide the value of commissioned assets for each financial loss year and asset class

The excel file shows the breakdown of the **value of commissioned assets** in each **financial loss year** according to **asset class**. As required by the **IM**,

**asset class** is the aggregation of assets that reflect **GAAP** depreciation categories.

The **value of commissioned assets** have been derived from NFL's and LFC2's **FAR** and has been reconciled to the audited financial statements, with **adjustments** for timing differences to align the values to each **financial loss period**. The timing differences are for the same reasons as previously outlined in this document, i.e. the period prior to the start of the **financial loss period** and re-align LFC2 financial years to the **financial loss years**.

The timing adjustments have been shown as a single value for each financial loss year, rather than showing a breakdown by **asset class**. Whilst the breakdown by **asset class** could be prepared, we consider that the time required would be onerous compared to the benefit provided by this additional information.

The final period of data included in the **financial loss period** is the 6 months ended 31 December 2021 and this has been reconciled to NFL's LFC UFB Information Disclosures for the same period.

The **assets classes** are aggregates of many individual assets from the **FAR**, grouping together those which perform similar roles and possess similar characteristics (e.g. duct, aerial fibre or underground fibre).

Capital contributions have been deducted from commissioned assets as a single line item, as outlined in section 9.0 below.

The **value of commissioned assets** by **asset class** provided for the 7 months ended 30 June 2012 reflects the values included in NFL's financial statements for the 12 months ended 30 June 2012. A single one line item has been shown to deduct the portion of commissioned assets that relates prior to the start of the financial loss period (i.e. before 1 December 2011).

**A28 For the purpose of clause A27, the cost of the assets must be adjusted for accumulated depreciation and impairment losses recognised as at the UFB FFLAS commissioning date, under GAAP**

No accumulated depreciation or impairment losses have been recognised for at commissioning date under **GAAP**.

## 9.0 Capital Contributions

**A29 Provide details of all capital contributions received for each financial loss year, setting out which were deducted from asset values, which were accounted for as revenue under GAAP, the adjustments made to the value of commissioned assets and a reconciliation of the data provided under clause A16**

All **capital contributions** have been included in the **value of commissioned assets** and accounted for as revenue under **GAAP**. These amounts have been removed from both the **value of commissioned assets** and **UFB revenue cash flow** for the **initial RAB** inputs, as shown below.

The table below sets out **capital contributions** deducted from the **value of commissioned assets**. These amounts are outlined in row 42 of the file named *09. A26-28 & A30\_ Commissioned and disposed asset summary*. These amounts

cover both NFL and LFC2, in which, LFC2 amounts have been adjusted to align with the periods of the **financial loss years**.

**Table 11 Capital contributions deducted from the value of commissioned assets.**

\$000	Start date	7 months to	Full year to	Full year to	Full year to	Full year to	Full year to	Full year to	Full year to	Full year to	Full year to	6 months to
	1 Dec 11	30 Jun 12	30 Jun 13	30 Jun 14	30 Jun 15	30 Jun 16	30 Jun 17	30 Jun 18	30 Jun 19	30 Jun 20	30 Jun 21	31 Dec 21
Commissioned assets adjustments in relation to capital contributions					26	494	233	160	208	522	390	381

The table below sets out **capital contributions** excluded from **UFB revenue cash flow**. These amounts are outlined in rows 26 and 46 of the file named ‘04. A13-16 & A29\_UFB revenue cash flow summary’, and are shown as a reconciling item between UFB revenue cash flow and income disclosed in the financial statements. The amounts for LFC2 are per its audited financial statements (i.e. with March year end, pre any timing adjustment to align to the **financial loss year**). The total amount across all **financial loss years** are consistent with the total amounts deducted from the **value of commissioned assets** across all **financial loss years**.

**Table 12 Capital contributions excluded from UFB revenue cash flow (\$000)**

	7 months to	Full year to	Full year to	Full year to	Full year to	Full year to	Full year to	Full year to	Full year to	Full year to	6 months to
	30 Jun 12	30 Jun 13	30 Jun 14	30 Jun 15	30 Jun 16	30 Jun 17	30 Jun 18	30 Jun 19	30 Jun 20	30 Jun 21	31 Dec 21
Northpower Fibre Limited (NFL - 30 June year end) Capital contributions (A29)				26	494	233	160	122	431	168	381
Northpower LFC2 Limited (LFC2 - 31 March year end) Capital contributions (March year-end) (A29)								81	17	301	
Total combined Capital Contributions	-	-	-	26	494	233	160	203	448	469	381

## 10.0 Disposed Assets

The **value of disposed assets** are set out in the excel file named ‘09. A26-28 & A30\_Commissioned and disposed asset summary’. All excel file references in this section of the overview document refer to that excel workbook unless otherwise stated.

The **value of disposed assets** for each **financial loss year** is the sum of NFL and LFC2 and the total values are shown in the table below:

**Table 13 Value of disposed assets**

\$000	Start date	7 months to	Full year to	Full year to	Full year to	Full year to	Full year to	Full year to	Full year to	Full year to	6 months to	
	1 Dec 11	30 Jun 12	30 Jun 13	30 Jun 14	30 Jun 15	30 Jun 16	30 Jun 17	30 Jun 18	30 Jun 19	30 Jun 20	30 Jun 21	31 Dec 21
Sum of value of disposed assets		-	3	-	-	-	-	11	-	59	2	-

### A30 Provide the sum of value of disposed assets for each financial loss year and aggregated according to asset class

The excel file shows the breakdown of the **value of disposed assets** in **each financial loss year** according to **asset class**. The **values of disposed assets** have been derived from NFL’s and LFC2’s **FAR** and reconciled to the audited financial statements, with adjustments for timing differences to align the values to each **financial loss year**.

The **assets classes** are aggregates of many individual assets from the **FAR**, grouping together those which perform similar roles and possess similar characteristics (e.g. duct, aerial fibre or underground fibre).

## 11.0 Information regarding the valuation of specific asset types – clause B1.1.3(2)

A31 Provide details for each financial loss year of the valuation applied to any of the following, in order to demonstrate compliance with clause B1.1.3(2) of Schedule B of the IM Determination

**A31.1 Easements** - Northpower Fibre has no **easements** valued during the **financial loss period** according to its audited financial statements.

**A31.2 Network spares** – Northpower Fibre holds **network spares**. **Network spares** are capitalised in the **FAR** in the **asset class** to which they relate and depreciated over the estimated useful life of the relevant type of asset. The value of **network spares** have been included in the **value of commissioned assets** for each **financial loss year**.

**A31.3 UFB assets** acquired from another **regulated provider** - This is not applicable to Northpower Fibre.

**A31.4 A UFB asset** (or component of) acquired in a **related party transaction** - The details for this are provided under A36 of the Information Request.

**A31.5 Vested assets** - This is not applicable to Northpower Fibre.

## 12.0 Finance leases

A32 Provide an explanation of how Northpower has accounted for finance leases for the financial loss period, given the change in requirements under NZ IFRS 16.

NFL did not have any leases before the amalgamation of LFC2. LFC2 adopted **NZ IFRS 16** from 1 April 2019 and applied the modified retrospective transition approach; this meant a right of use asset and lease liability were recognised for the same amount based on values and future cash flows at that. There was no impact to opening retained earnings at the **NZ IFRS 16** transition date in accordance with **GAAP**.

Prior to 1 April 2019, lease payments were recognised as **operating costs** for **GAAP** and have been included in **UFB operating expenditure cash flow**. The right of use asset recognised on 1 April for **GAAP** of \$647k has been included in the **value of commissioned assets** for the **financial loss year** ended 30 June 2020. Following transition, new leased assets have been included in the **value of commissioned assets**, and depreciation has been recognised in accordance with **GAAP** (over the life of the asset). Right of use assets are not recognised for taxation purposes and lease payments continue to be treated as a tax deductible expense.

Depreciation on right of use assets has been outlined in row 24 of the depreciation summary by asset class (excel file named “07.A24-25\_depreciation

summary”). The lease payments for the same period (i.e. the value that would have been an expense prior to **NZ IFRS 16**) are a taxation **temporary difference** and are outlined on row 24 of the excel file named ‘11.A50-51 & A55-56 Tax Revenue & Opex’.

### 13.0 Identifiable non-monetary assets

A33 Provide a description and the value of any identifiable non-monetary assets that have been included in the value of commissioned assets **Identifiable non-monetary asset** includes **finance leases** (details provided under A32) and software assets that are included in the **value of commissioned assets**. The value of **finance leases** (right-of-use assets) and software assets are provided as a separate **asset class** as part of the **value of commissioned assets** under A26.

### 14.0 Cost of financing

A34 Provide the cost of financing for each applicable financial loss year included in Northpower’s costs under GAAP included in the value of commissioned assets

The cost of financing included in the **value of commissioned assets** is set out in the excel file named ‘10. A34\_Cost of financing’. All excel file references in this section of the overview document refer to that excel workbook unless otherwise stated.

The cost of financing included in the **value of commissioned assets** is consistent with the treatment under **GAAP** and is outlined in the table below.

Table 14 Cost of financing

	7 months to 30 Jun 12	Full year to 30 Jun 13	Full year to 30 Jun 14	Full year to 30 Jun 15	Full year to 30 Jun 16	Full year to 30 Jun 17	Full year to 30 Jun 18	Full year to 30 Jun 19	Full year to 30 Jun 20	Full year to 30 Jun 21	6 months to 31 Dec 21
Capitalised interests (cost of financing included in the value of commissioned assets)								66	18	5	4

A35 Provide details of:

A35.1 Revenue derived in related to works under construction that is not included in regulatory income and that has been applied to reduce the cost of an asset by the amount of revenue if such a reduction is not otherwise made under GAAP

This is nil for Northpower Fibre.

A35.2 Any expenditure on UFB assets, incurred after a UFB asset is commissioned for UFB FFLAS that forms part of the cost of that UFB asset under GAAP, and how much such expenditure is treated as relating to a separate asset

This is nil for Northpower Fibre.

A35.3 Any reduction in the cost of assets due to revenue derived in relation to works under construction

This is nil for Northpower Fibre.



## 15.0 Related party transactions for UFB assets

A36 Provide details of how any UFB assets acquired in a related party transaction have been treated to ensure compliance with clause B1.1.4 of Schedule B of the IM Determination

**UFB assets** include a number of **related party transactions** entered into with Northpower Limited, a related party through its shareholding in NFL and LFC2. NFL considers that these transactions meet the **arm's-length transaction** requirement outlined in the **IM**.

Northpower Limited (or any relevant subsidiary) is the sole contractor providing network build and connection services to NFL and LFC2, and these transactions make up the majority of the **UFB assets**. However, we have not been able to match the value of **related party transactions** to specific assets in the **FAR** because historically the **FAR** does not identify who the assets were acquired from. Examples of assets that may have been purchased from non-related parties include optical lines terminal (OLTs) and software licences.

The nature of the **related party transactions** and basis of our **arm's-length transaction** assessment is outlined below.

Table 15 Related party transactions for UFB assets

UFB Asset	\$000*	Basis of Transaction
Connections – NFL	31,756	Network Infrastructure Project Agreement - NFL
Communal fibre network – NFL	34,041	Pre 13 December 2020 - Network Infrastructure Project Agreement
	164	14 December 2020 – 31 March 2021 - Cost incurred by Northpower Limited, including labour, plant and materials
	1,177	1 April 2021 – 31 December 2021 - Cost plus share of overhead related to providing fibre services
Connections – LFC2	8,960	Network Infrastructure Project Agreement – LFC2
Communal fibre network – LFC2	18,484	Network Infrastructure Project Agreement – LFC2
Right of Use Assets	2,430	Lease agreements

\* The value shown is the total **value of commissioned assets**, from both related parties and non-related parties. As outlined above, we cannot readily separate historic **related party transactions** in the **FAR**.

### Network Infrastructure Project Agreement - NFL (NFL NIPA)

The NFL NIPA is an agreement entered into between NFL, Northpower Limited (being the contractor) and Crown Fibre Holdings Limited (being the Crown-owned investment company established to manage its investment in the **UFB initiative**). The agreement set out the relationship between, and the rights and obligations of, each party in the contract in relation to establishing and operating the UFB network. The NFL NIPA also sets out the pricing for the services under the contract.

This agreement was negotiated with the Crown, via Crown Fibre Holdings Limited, and is therefore considered arms-length in nature.

The NFL NIPA sets out pricing for the construction of communal fibre network assets and end user-specific assets.

The communal fibre network assets cover a number of **asset classes** included in the responses to the Information Request. These are:

- Duct
- Underground Fibre
- Aerial Fibre
- Cabinets
- OLTs
- Central Office
- Ethernet Aggregation Switch
- Element Management System

The pricing of these assets is stipulated in the NFL NIPA and is a contracted rate per premise passed.

The **asset class** we have defined as connections are our end user-specific assets and the NFL NIPA sets out a contracted rate per premise connected.

#### **NFL Transactions post 13 December 2020**

The NFL NIPA expired on 13 December 2020. All related party transactions for UFB assets entered into after this date have been priced consistently with pricing for LFC2 transactions, the details for which is outlined below. NFL considers this appropriate because the LFC2 NIPA was negotiated on an arms-length basis with Northpower Limited and the Crown also being parties to the agreement.

#### **Network Infrastructure Project Agreement - LFC2 (LFC2 NIPA)**

The LFC2 NIPA is an agreement entered into between LFC2, Northpower Solutions Limited (being the contractor) and Crown Fibre Holdings Limited. Northpower Solutions Limited was a wholly owned subsidiary of Northpower Limited, and was amalgamated with Northpower Limited on 31 August 2019.

The agreement sets out the relationship between, and the rights and obligations of, each party in the contract in relation to establishing and operating the UFB network. The LFC2 NIPA also sets out the pricing agreed for the services under the contract.

This agreement was negotiated with the Crown, via Crown Fibre Holdings Limited, and is therefore considered arms-length in nature. Although LFC2 amalgamated with NFL on 1 May 2021, the LFC2 NIPA remains in place and applicable for transactions in the areas listed in LFC2 NIPA.

The LFC2 NIPA sets out pricing for the construction of communal fibre network assets and end user-specific assets. The pricing for both types of assets under the LFC2 NIPA is based on the actual cost incurred by the contractor plus a market competitive margin agreed between LFC2 and the contractor.

Transactions prior to 31 March 2021 were based on cost incurred by Northpower Limited/Northpower Solutions Limited, including labour, plant and materials. The pricing from 1 April 2021 includes a share of overhead incurred by Northpower Limited in providing the fibre services. This is effectively a mark-up on the direct costs of labour, plant and materials. We have assessed this mark up against mark-ups

applied to other contracting services performed by Northpower Limited and are satisfied that these do not exceed competitive rates.

### Right of Use Assets

There are a number of backhaul fibre assets that are leased from Northpower Limited. The pricing of these lease agreements have either matched similar agreements that Northpower Limited holds with external third parties, or based on long term return rates for similar assets.

A formal agreement has been entered into for each backhaul asset, which was signed by officers of LFC2 and Northpower Limited respectively.

## 16.0 Allocation methodology for determining financial losses

### A37 – A40 Allocation of operating costs incurred under the UFB initiative to the provision of UFB FFLAS for a financial loss year / Cost allocator types

There have been no cost allocations applied by Northpower Fibre in determining financial losses. As outlined in section 1 of this document, both NFL and LFC2 were set up solely to provide **FFLAS** under the **UFB initiative** and this sole purpose has continued throughout the **financial loss period**.

### A41 – A49 Allocation of asset values utilised/employed under the UFB initiative in the provision of UFB FFLAS for a financial loss year / UFB opening and UFB closing allocator values for each financial loss year

There have been no asset allocations applied by Northpower Fibre in determining financial losses. As outlined in section 1 of this document, both NFL and LFC2 were set up solely to provide **FFLAS** under the **UFB initiative** and this sole purpose has continued throughout the **financial loss period**.

## 17.0 Tax Information

### A50 Provide UFB tax revenue for each financial loss year

**UFB tax revenue** are set out in the excel file named '11. A50-51 & 55 & A55-56 Tax Revenue & Opex'. All excel file references in this section of the overview document refer to that excel workbook unless otherwise stated.

The **UFB tax revenue** for each **financial loss year** is the sum of NFL and LFC2 and the total values are shown in the table below:

Table 16 UFB Tax Revenue

\$000	7 months to 30 Jun 12	Full year to 30 Jun 13	Full year to 30 Jun 14	Full year to 30 Jun 15	Full year to 30 Jun 16	Full year to 30 Jun 17	Full year to 30 Jun 18	Full year to 30 Jun 19	Full year to 30 Jun 20	Full year to 30 Jun 21	6 months to 31 Dec 21
UFB tax revenues	153	585	957	2,199	3,929	5,443	7,219	8,931	11,091	12,544	6,906

There are no permanent or temporary differences in the calculation of **UFB tax revenue** and therefore this revenue agrees to **UFB revenue cash flows** each year.

We reached this conclusion by reviewing the tax returns filed for NFL and LFC2. These had no permanent or temporary differences in relation to taxable income.

**A51 Provide the UFB tax operating expenditure for each financial loss year** *UFB tax operating* are set out in the excel file named '11. A50-51 & A55-56 Tax Revenue & Opex'. All excel file references in this section of the overview document refer to that excel workbook unless otherwise stated.

The *UFB tax operating expenditure* for each *financial loss year* is the sum of NFL and LFC2 and the total values are shown in the table below:

**Table 17 UFB Tax Operating Expenditure**

\$000	7 months to 30 Jun 12	Full year to 30 Jun 13	Full year to 30 Jun 14	Full year to 30 Jun 15	Full year to 30 Jun 16	Full year to 30 Jun 17	Full year to 30 Jun 18	Full year to 30 Jun 19	Full year to 30 Jun 20	Full year to 30 Jun 21	6 months to 31 Dec 21
UFB tax operating expenditure	436	1,228	1,645	2,380	2,737	3,031	3,419	3,834	4,172	4,963	2,713

There are a number of permanent and temporary differences in the calculation of *UFB tax operating expenditure* and these are outlined in response to sections A55 and A56 of the Information Request.

**A52 Provide the proposed calculation of UFB tax costs cash flow for each financial loss year, which must be based on a calculation of notional deductible interest.**

The calculation of *UFB tax costs cash flow* for each *financial loss year* is included in the *commission model*. This is in the DCF sheet rows 90-97; we have not made any changes to this section of the model provided by the Commerce Commission. The *UFB tax costs cash flow*, in row 97, are outlined in the table below.

**Table 18 Calculation of UFB tax costs cash flow**

Tax calculations	Start date 1 Dec 11	7 months to 30 Jun 12	Full year to 30 Jun 13	Full year to 30 Jun 14	Full year to 30 Jun 15	Full year to 30 Jun 16	Full year to 30 Jun 17	Full year to 30 Jun 18	Full year to 30 Jun 19	Full year to 30 Jun 20	Full year to 30 Jun 21	6 months to 31 Dec 21
UFB tax costs cash flow												
Tax revenue	\$000	153	585	957	2,199	3,929	5,443	7,219	8,931	11,091	12,544	6,906
Tax operating expenditure	\$000	-436	-1,228	-1,645	-2,380	-2,737	-3,031	-3,419	-3,834	-4,172	-4,963	-2,937
Notional deductible interest	\$000	-68	-284	-512	-729	-840	-920	-959	-921	-839	-786	-382
Tax depreciation (allocated)	\$000	-286	-1,022	-1,954	-2,503	-2,926	-3,249	-3,702	-4,670	-6,104	-6,735	-3,503
UFB taxable income	\$000	-637	-1,949	-3,154	-3,413	-2,574	-1,757	-861	-494	-24	60	85
Tax (before tax losses)	\$000	-178	-546	-883	-956	-721	-692	-241	-138	-7	17	24
UFB tax costs cash flow	\$000	0	0	0	0	0	0	0	0	0	0	0

The table above outlines the correct recognition of the timing of the *UFB utilised tax losses* and the notional deductible interest. Both of these calculations are embedded into the *commission model*; we have not made any changes to this section in the model provided.

**A53 Provide:**

*UFB tax asset values* are set out in the excel file named '12. A53.1-53.2 & A53.9-53.10 Tax asset values'. All excel file references in this section of the overview document refer to that excel workbook unless otherwise stated.

**A53.1 The sum of tax asset values at the commencement of each financial loss year**

This information is provided under the response to section 53.2 of the Information Request because there is no difference between the *tax asset values and regulatory asset values*. This is because there are no assets shared between *FFLAS* and non *FFLAS* services.

**A53.2 The sum of regulatory tax asset values at the commencement of each financial loss year**

This information is provided in row 20 of the excel work book. The *regulatory asset values* for each *financial loss year* is the sum of NFL and LFC2 and the total values are shown in the table below:

**Table 19 Regulatory tax asset values at the commencement of each financial loss year**

\$000	Start date 1 Dec 11	7 months to	Full year to	Full year to	Full year to	Full year to	Full year to	Full year to	Full year to	Full year to	Full year to	6 months to
		30 Jun 12	30 Jun 13	30 Jun 14	30 Jun 15	30 Jun 16	30 Jun 17	30 Jun 18	30 Jun 19	30 Jun 20	30 Jun 21	31 Dec 21
Opening regulatory tax asset values		1,715	10,265	17,421	28,631	30,621	32,480	33,469	43,228	46,658	54,061	56,539

We have reconciled these values to NFL’s and LFC2’s **FARs**. The reconciliation includes adjustments to ensure data for LFC2 aligns with the **financial loss year**. We have assessed the timing difference by referring to monthly tax **FARs** for LFC2.

We have also made adjustments to exclude value of **capital contribution** from **regulatory tax asset values**. The **value of commissioned assets** excluded agrees to those values outlined in response to A29 of the Information Request. Tax depreciation has also been calculated for these assets using the relevant tax depreciation rate. This rate was assessed in the same way as the depreciation adjustment for the RAB value, as outlined in our response to section A25 of the Information Request. The average estimated tax useful life we have applied to the **capital contribution** assets is 13.92 years.

**A53.3 The method by which an asset or group of assets maintained under the tax rules has been traced to a matching UFB asset or asset group**

We maintain separate accounting and tax fixed asset registers. When a commissioned asset is set up in the accounting fixed asset register, a matching asset is also set up in the tax asset register. These assets carry the same asset identification number and description so that they can be matched. A disposal transaction is also completed simultaneously in the accounting and tax fixed asset registers. We have reconciled **value of commissioned asset** for the RAB (accounting) values to the tax values each **financial loss year** to confirm that transactions have been reflected appropriately in the tax **FAR**. Reconciling items are outlined in response to section A53.4 of the Information Request.

**A53.4 The nature and values of UFB asset or group of UFB assets that does not have a matching asset group of assets maintained under the tax rules, and the value of associated depreciation temporary differences included in the sum of depreciation temporary differences.**

**UFB assets** that do not have a matching asset for **tax rules** are mainly right of use assets, and there are some small adjustments for capitalised interest. These amounts, and depreciation impacts are outlined in the table below and have been provided in the excel file named ‘13. A53.4 UFB assets not maintained for tax’.

**Table 20 UFB assets that have no tax asset and depreciation impact**

	7 months to	Full year to	Full year to	Full year to	Full year to	Full year to	Full year to	Full year to	Full year to	Full year to	6 months to
	30 Jun 12	30 Jun 13	30 Jun 14	30 Jun 15	30 Jun 16	30 Jun 17	30 Jun 18	30 Jun 19	30 Jun 20	30 Jun 21	31 Dec 21
<b>Value of commissioned assets</b>											
Right of use assets								1,873		557	
Capitalised interest								22	7	7	
	-	-	-	-	-	-	-	1,895	7	564	-
<b>Right of use assets</b>											
Depreciation as per audited financial statements	-	-	-	-	-	-	-	-	76	124	53
Tax depreciation	-	-	-	-	-	-	-	-	-	-	-

**Capitalised interest**  
Capitalised interest is not separately identifiable within FAR, however, given the value of this, the depreciation temporary difference associated with capitalised interest would be insignificant.



### A53.9 Sum of regulatory tax asset values at the end of each financial loss year

The regulatory tax asset values for each financial loss year are included in row 24 of the excel file named '12. A53.1-53.2 & A53.9-53.10 Tax asset values' and are outlined in the table below.

**Table 22 UFB tax asset values**

\$000	Start date 1 Dec 11	7 months to 30 Jun 12	Full year to 30 Jun 13	Full year to 30 Jun 14	Full year to 30 Jun 15	Full year to 30 Jun 16	Full year to 30 Jun 17	Full year to 30 Jun 18	Full year to 30 Jun 19	Full year to 30 Jun 20	Full year to 30 Jun 21	6 months to 31 Dec 21
Closing regulatory tax asset values	1,715	10,265	17,421	28,631	30,621	32,480	33,469	43,228	46,658	54,061	56,539	56,051

A53.10 Roll-forward reconciliation between the sum of regulatory tax asset values at the commencement of the financial loss year in accordance with clause A53.2 of this notice and the sum of regulatory tax asset values at the end of the financial loss year in accordance with clause A53.9 of this notice showing:

- A53.10.1 the values of commissioned assets;
- A53.10.2 disposed assets;
- A53.10.3 tax depreciation; and
- A53.10.4 other asset adjustments, including cost allocation adjustments

A roll forward reconciliation is included in the excel file named '12. A53.1-53.2 & A53.9-53.10 Tax asset values', rows 20 to 24 and is outlined in the table below.

**Table 23 Regulatory tax asset value roll forward reconciliation**

\$000	Start date 1 Dec 11	7 months to 30 Jun 12	Full year to 30 Jun 13	Full year to 30 Jun 14	Full year to 30 Jun 15	Full year to 30 Jun 16	Full year to 30 Jun 17	Full year to 30 Jun 18	Full year to 30 Jun 19	Full year to 30 Jun 20	Full year to 30 Jun 21	6 months to 31 Dec 21
Opening regulatory tax asset values		1,715	10,265	17,421	28,631	30,621	32,480	33,469	43,228	46,658	54,061	56,539
Value of commissioned assets		8,836	8,180	13,164	4,493	4,785	4,238	13,467	8,100	13,555	9,217	3,015
disposed assets		0	(2)	0	0	0	0	(6)	0	(49)	(4)	0
Tax depreciation		(286)	(1,022)	(1,954)	(2,503)	(2,926)	(3,249)	(3,702)	(4,670)	(6,104)	(6,735)	(3,503)
Closing regulatory tax asset values	1,715	10,265	17,421	28,631	30,621	32,480	33,469	43,228	46,658	54,061	56,539	56,051

A53.11 Roll-forward reconciliation between the sum of tax asset values at the commencement of the financial loss year in accordance with clause A53.1 of this notice and the sum of regulatory tax asset values at the end of the financial loss year showing:

- A53.11.1 the values of commissioned assets;
- A53.11.2 Disposed assets; and
- A53.11.3 Tax depreciation.

This section is not applicable to Northpower Fibre as there have been no asset allocations applied by Northpower Fibre.

### A54 Provide, for each financial loss year, a roll-forward reconciliation of UFB opening tax losses to UFB closing tax losses.

We have utilised the **Commission Model** to calculate the **UFB opening** and **closing tax losses** for **each financial loss year**. A roll-forward reconciliation of these balances is shown in rows 100 to 103 of the DCF sheet in the **Commission Model**. These values are shown in the table below.

**Table 24 Roll forward reconciliation of UFB opening and closings UFB tax losses**

Tax calculations	Start date 1 Dec 11	7 months to 30 Jun 12	Full year to 30 Jun 13	Full year to 30 Jun 14	Full year to 30 Jun 15	Full year to 30 Jun 16	Full year to 30 Jun 17	Full year to 30 Jun 18	Full year to 30 Jun 19	Full year to 30 Jun 20	Full year to 30 Jun 21	6 months to 31 Dec 21
UFB opening tax losses	\$000	0	637	2,586	5,740	9,153	11,727	13,484	14,346	14,840	14,864	14,804
UFB current period tax losses	\$000	637	1,949	3,154	3,413	2,574	1,757	861	494	24	0	0
UFB utilised tax losses	\$000	0	0	0	0	0	0	0	0	0	60	85
UFB closing tax losses	\$000	637	2,586	5,740	9,153	11,727	13,484	14,346	14,840	14,864	14,804	14,719

**A55 Provide: sum of permanent differences for each financial loss year; and amounts and nature of items used to determine permanent differences.**

The sum of **permanent differences** for each **financial loss** year are set out in the excel file named '11. A50-51 & A55-56 Tax Revenue & Opex'. All excel file references in this section of the overview document refer to that excel workbook unless otherwise stated.

The **permanent differences** for each **financial loss year** is the sum of NFL and LFC2 and the total values are shown in the table below:

**Table 25 Permanent differences**

\$000	7 months to 30 Jun 12	Full year to 30 Jun 13	Full year to 30 Jun 14	Full year to 30 Jun 15	Full year to 30 Jun 16	Full year to 30 Jun 17	Full year to 30 Jun 18	Full year to 30 Jun 19	Full year to 30 Jun 20	Full year to 30 Jun 21	6 months to 31 Dec 21
Sum of permanent differences	-	0	-	-	0	2	1	2	2	7	1

The amounts and nature of these permanent differences are outlined in rows 18 to 20 of the excel file, and largely relate to non-deductible entertainment expenses.

These amounts were identified by reviewing the permanent differences included in tax returns filed for NFL and LFC2 and assessing whether all or part of these adjustments related to **FFLAS**. We amended the LFC2 permanent differences to re-align the data from the tax return periods to the **financial loss periods**.

Tax return information was not available for some of the **financial loss years**. We have re-calculated the value of **permanent differences** for these years using general ledger data and management account information.

**A56 Provide, for each financial loss year:**

The sum of **temporary differences** for each **financial loss year** are set out in the excel file named '11. A50-51 & A55-56 Tax Revenue & Opex'. All excel file references in this section of the overview document refer to that excel workbook unless otherwise stated.

**A56.1 Sum of depreciation temporary differences**

The sum of depreciation **temporary differences** are outlined in the table below, and shown in row 42 of the excel file.

**Table 26 Depreciation temporary differences**

\$000	7 months to 30 Jun 12	Full year to 30 Jun 13	Full year to 30 Jun 14	Full year to 30 Jun 15	Full year to 30 Jun 16	Full year to 30 Jun 17	Full year to 30 Jun 18	Full year to 30 Jun 19	Full year to 30 Jun 20	Full year to 30 Jun 21	6 months to 31 Dec 21	
Depreciation temporary differences	-	156 -	500 -	798 -	924 -	1,063 -	1,051 -	1,186 -	1,798 -	2,697 -	2,803 -	1,453

**A56.2 Sum of temporary differences other than depreciation temporary differences**

The sum of **temporary differences** other than depreciation are outlined in the table below, and shown in row 34 of the excel file.



Table 27 Temporary differences, other than depreciation

\$'000	7 months to 30 Jun 12	Full year to 30 Jun 13	Full year to 30 Jun 14	Full year to 30 Jun 15	Full year to 30 Jun 16	Full year to 30 Jun 17	Full year to 30 Jun 18	Full year to 30 Jun 19	Full year to 30 Jun 20	Full year to 30 Jun 21	6 months to 31 Dec 21
Sum of temporary differences other than depreciation	21	18 -	6 -	7	9	15	172 -	34 -	165 -	273 -	54

### A56.3 Amounts and nature of items used to determine temporary differences other than depreciation temporary differences

The amounts and nature of **temporary differences** other than depreciation are outlined in row 24 and 28 to 31 of the excel file.

These amounts were identified by reviewing the **temporary differences** included in tax returns filed for NFL and LFC2 and assessing whether all or part of these adjustments related to **FFLAS**. We amended the LFC2 temporary differences to re-align the data from the tax return periods to the **financial loss periods**.

Tax return information was not available for some of the **financial loss years**. We have re-calculated the value of **temporary differences** for these years using general ledger data and management account information.

## 18.0 Alternative methodologies for determining financial losses

### A57 – A59 Provide information on alternative methodologies Northpower has used in determining financial losses

This section is not applicable for Northpower Fibre as no alternative methodologies have been applied.

## 19.0 Initial ID RAB values of core fibre assets/unallocated initial RAB value allocated to regulated FFLAS

### A60 Provide the sum of all initial RAB values of core fibre assets for the ID RAB that are directly attributable to the provision of ID FFLAS, aggregated according to asset classes.

The **initial RAB values of core fibre assets** are set out in the excel file named '15. A60 Initial RAB value of core fibre assets'. All excel file references in this section of the overview document refer to that excel workbook unless otherwise stated.

The **initial RAB value of core fibre assets** have been provided by **asset class**, which is an aggregate of many individual assets from the **FAR**, grouping together those which perform similar roles and possess similar characteristics (e.g. duct, aerial fibre or underground fibre). LFC2 amalgamated with NFL on 1 May 2021 and therefore those asset values are incorporated into NFL at the amalgamation date. In accordance with **GAAP**, NFL reflected LFC2's cost and accumulated depreciation at amalgamation date and the assets have continued to be depreciated using the same estimated useful lives. The amalgamation therefore had no impact on the overall asset values.

Table 28 Initial RAB values of core fibre assets

Core Fibre Asset - Asset Class	Value of			Initial RAB Value of Core Fibre Assets
	Commissioned Assets	Disposed assets	Depreciation	
<b>Total</b>	<b>95,280</b>	<b>75</b>	<b>22,247</b>	<b>72,959</b>

The **value of commissioned assets** of **core fibre assets** includes the **value of commissioned assets** prior to the start of the **financial loss period** of \$1,763k. Of this, \$1,757k was commissioned during the 5 months ended 30 November 2011 and \$6k prior to 30 June 2011.

**A61 – A64 Provide the sum of initial RAB values of core fibre assets for the ID RAB that are not directly attributable to the provision of ID FFLAS**

This section is not applicable to Northpower Fibre as there have been no asset allocations applied by Northpower Fibre. As outlined in section 1 of this document, both NFL and LFC2 were set up solely to provide **FFLAS** under the **UFB initiative** and this sole purpose has continued throughout the **financial loss period**.

**A65 - A66 Ability to provide asset class information by ID asset category**

This section is not relevant for Northpower Fibre because we have shown the information required by **asset class**.