

5 December 2022

The Board of Directors
Northpower Fibre Limited
Private Bag 9018
Whangarei Mail Centre

Attention: The Chairperson

Dear Directors

Agreed-upon procedures report – Agreed-Upon Procedures as required by Clauses A7 to A9 of Notice to Supply Information to the Commerce Commission under Section 221 of the Telecommunications Act 2001 Relating to the Requirements for Initial Information Disclosure Regulatory Asset Base (Core Fibre Assets and Financial Loss Asset) and Opening Tax Losses for Disclosure Year 2022

In accordance with our engagement letter dated 9 November 2022, we have performed the procedures agreed with you on the inputs to the LFC financial loss asset model August 2022 (the 'Commission model') prepared by Northpower Fibre Limited (the 'Company') (the 'subject matter').

Our report includes factual findings and is intended solely for the purpose of complying with the requirements in clause A7, A8 and A9 of the "Notice to supply information to the Commerce Commission under the Telecommunications Act 2001 – Requirements for Initial Information Disclosure Regulatory Asset Base (Core Fibre Assets and Financial Loss Asset) and Opening Tax Losses for Disclosure Year 2022", dated 16 August 2022 (the 'Notice') and may not be suitable for another purpose.

Responsibility of the directors

The Directors have acknowledged that the agreed-upon procedures are appropriate for the purpose of the engagement.

The Directors are responsible for the subject matter on which the agreed-upon procedures are performed.

Scope of our responsibilities

We have conducted the agreed-upon procedures engagement in accordance with the International Standard on Related Services (New Zealand) 4400 Agreed-Upon Procedures Engagements ('ISRS (NZ) 4400'). An agreed-upon procedures engagement is limited to only performing the procedures that have been agreed with you and reporting the findings, which are the factual results of the agreed-upon procedures performed.

We make no representations regarding the appropriateness of the agreed-upon procedures.

Because the 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 opinion, conclusion or provide assurance on the subject matter. In particular, we did not subject the information contained in this report or given to us by the Directors to checking or verification procedures except to the extent expressly stated in Appendix A. This is normal practice when carrying out such limited scope procedures, but contrasts significantly with, for example, an audit as envisaged by the Energy Companies Act 1992. The procedures we performed were not designed to and are not likely to have revealed fraud or misrepresentation by the management of the Company.

Accordingly, we cannot accept responsibility for the detection of fraud (whether by management or by external parties) or misrepresentation by the Directors. Had we performed additional procedures, or had we performed an audit or a review 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.

The audit performed by Deloitte Limited on behalf of the Auditor-General for Northpower Limited and its subsidiaries (the 'Group') in current and prior financial periods were carried out in order to report to the shareholders as a body in accordance with the Energy Companies Act 1992 and is subject to a separate engagement letter. The audits of the Group's consolidated financial statements were not planned or conducted to address or reflect matters in which anyone other than such shareholders as a body may be interested. In particular, the scope of the audit work was set and judgments made by reference to the assessment of materiality in the context of the audited financial statements taken as a whole rather than in the context of this engagement. Deloitte Limited has not expressed an opinion or other form of assurance on individual account balances, financial amounts, financial information or the adequacy of financial, accounting or management systems. Deloitte Limited does not accept or assume responsibility to anyone other than the shareholders as a body for its audits.

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'). For the purpose of this engagement, there are no independence requirements with which we are required to comply.

Our firm applies PS-1 Quality Control ('PS-1') issued by the New Zealand Institute of Chartered Accountants, and accordingly, 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.

Procedures and Findings

The procedures were performed solely to assist you in meeting your purpose outlined above. The procedures performed and the factual findings obtained are in Appendix A.

Restriction on Use of Report

This report has been prepared solely for your exclusive use and solely for the purpose set out above. We understand that the Notice requires you to provide a copy of our report to the Commerce Commission to assist them in determining whether you are complying with the requirements of the Notice. We agree that a copy of this report may be provided to the Commerce Commission. It is for you and the Commerce Commission to assess

both the procedures and our factual findings to determine whether they provide, in combination with any other information you have obtained, a reasonable basis for any conclusions which you wish to draw on the subject matter. Accordingly, this report is not to be used for any other purpose, recited or referred to in any document, copied or made available (in whole or in part) to any other person without our prior written consent. We accept or assume no duty, responsibility or liability to any party, other than you, in connection with this report or engagement including without limitation, liability for negligence in relation to the factual findings expressed or implied in this report.

Our report on factual findings was completed on 5 December 2022 and our findings are expressed as at that date.

Auckland, New Zealand

Enclosure: Appendix A: Procedures and Factual Findings
 Appendix B



Appendix A: Procedures and Factual Findings

Period of Coverage for Agreed-Upon Procedures

For the Agreed-Upon Procedures, the period subject to the procedures performed are as follow:

- 1 December 2011 to 30 June 2012 ('financial loss year 2012').
- 1 July 2012 to 30 June 2013 ('financial loss year 2013').
- 1 July 2013 to 30 June 2014 ('financial loss year 2014').
- 1 July 2014 to 30 June 2015 ('financial loss year 2015').
- 1 July 2015 to 30 June 2016 ('financial loss year 2016').
- 1 July 2016 to 30 June 2017 ('financial loss year 2017').
- 1 July 2017 to 30 June 2018 ('financial loss year 2018').
- 1 July 2018 to 30 June 2019 ('financial loss year 2019').
- 1 July 2019 to 30 June 2020 ('financial loss year 2020').
- 1 July 2020 to 30 June 2021 ('financial loss year 2021'); and
- 1 July 2021 to 31 December 2021 ('financial loss year 2022').

These periods are collectively referred to as the 'financial loss years'.

We performed the following procedures as agreed in our letter of engagement dated 9 November 2022:

Procedures performed			Factual findings																														
<p>General</p> <p>Obtain from Northpower Fibre Limited and Northpower LFC2 Limited ('the Companies') the summary documents that were submitted to Commerce Commission on 21 October 2022.</p> <p>Obtain from the Companies the audited financial statements for the following periods:</p> <table border="1"> <thead> <tr> <th>S/n</th> <th>Northpower Fibre Limited</th> <th>Northpower LFC2 Limited</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>6 months ended 30 June 2011</td> <td>15 months ended 31 March 2018</td> </tr> <tr> <td>2</td> <td>12 months ended 30 June 2012</td> <td>12 months ended 31 March 2019</td> </tr> <tr> <td>3</td> <td>12 months ended 30 June 2013</td> <td>12 months ended 31 March 2020</td> </tr> <tr> <td>4</td> <td>12 months ended 30 June 2014</td> <td>13 months ended 30 April 2021</td> </tr> <tr> <td>5</td> <td>12 months ended 30 June 2015</td> <td></td> </tr> <tr> <td>6</td> <td>12 months ended 30 June 2016</td> <td></td> </tr> <tr> <td>7</td> <td>12 months ended 30 June 2017</td> <td></td> </tr> <tr> <td>8</td> <td>12 months ended 30 June 2018</td> <td></td> </tr> <tr> <td>9</td> <td>12 months ended 30 June 2019</td> <td></td> </tr> </tbody> </table>			S/n	Northpower Fibre Limited	Northpower LFC2 Limited	1	6 months ended 30 June 2011	15 months ended 31 March 2018	2	12 months ended 30 June 2012	12 months ended 31 March 2019	3	12 months ended 30 June 2013	12 months ended 31 March 2020	4	12 months ended 30 June 2014	13 months ended 30 April 2021	5	12 months ended 30 June 2015		6	12 months ended 30 June 2016		7	12 months ended 30 June 2017		8	12 months ended 30 June 2018		9	12 months ended 30 June 2019		<p>We obtained the "Submission 21 Oct 2022.zip" folder from the Finance Business Partner Fibre of Northpower Fibre Limited as provided to the Commerce Commission on 21 October 2022. This folder included the following documents:</p> <ul style="list-style-type: none"> a) 01.0 Submission Covering Letter.pdf b) 2.0 Initial RAB Information Request Overview.pdf c) 3.0 Financial Loss Asset Model.xlsx d) 04. A13-16 & A29_UFB revenue cash flow summary.xlsx e) 05. A17-20_UFB operating expenditure cash flow summary.xlsx f) 06. A22-23_Crown Financing Summary.xlsx g) 07. A24-25_depreciation summary.xlsx h) 08. A25&A29_cap con adj.xlsx i) 09. A26-28 & A30_commissioned and disposed asset summary.xlsx j) 10. A34_cost of financing.xlsx k) 11. A50-51 & A55-56 Tax Revenue & Opex.xlsx l) 12. A53.1-53.2 & A53.9-53.10 Tax asset values.xlsx m) 13. A53.4 UFB assets not maintained for tax.xlsx n) 14. A53.6-53.7 Tax remaining lives and depreciation rates.xlsx o) 15. A60 Initial RAB value of core fibre assets.xlsx <p>Subsequently, we obtained the following revised documents from the Finance Business Partner Fibre of Northpower Fibre Limited on 21 November 2022 after</p>
S/n	Northpower Fibre Limited	Northpower LFC2 Limited																															
1	6 months ended 30 June 2011	15 months ended 31 March 2018																															
2	12 months ended 30 June 2012	12 months ended 31 March 2019																															
3	12 months ended 30 June 2013	12 months ended 31 March 2020																															
4	12 months ended 30 June 2014	13 months ended 30 April 2021																															
5	12 months ended 30 June 2015																																
6	12 months ended 30 June 2016																																
7	12 months ended 30 June 2017																																
8	12 months ended 30 June 2018																																
9	12 months ended 30 June 2019																																

10	12 months ended 30 June 2020	
11	12 months ended 30 June 2021	

Obtain from the Companies the information disclosures for the following periods:

S/n	Northpower Fibre Limited	Northpower LFC2 Limited
1	12 months ended 30 June 2012	15 months ended 31 March 2018
2	12 months ended 30 June 2013*	12 months ended 31 March 2019
3	12 months ended 30 June 2014*	12 months ended 31 March 2020
4	12 months ended 30 June 2015*	13 months ended 30 April 2021*
5	12 months ended 30 June 2016*	
6	12 months ended 30 June 2017*	
7	12 months ended 30 June 2018*	
8	12 months ended 30 June 2019*	
9	12 months ended 30 June 2020*	
10	12 months ended 30 June 2021*	
11	6 months ended 31 December 2021*	

* These information disclosures are audited.

These audited financial statements, audited information disclosures and unaudited information disclosures above are collectively referred to as the 'financial information'.

A7 Fixed Asset Register Data

Obtain from Northpower Fibre Limited and Northpower LFC2 Limited ('the Companies') the Accounting Fixed Asset Register and Tax Fixed Asset Register ('Fixed Asset Register') data for each **financial loss years**.

For each financial loss year agree each of the following metrics from the reconciliation between the **Fixed Asset Register data** to the inputs to the "LFC financial

several adjustments were passed. These documents include:

- a) 00. Summary.xlsx
- b) 01. High level summary.xlsx
- c) 00. CHANGE LOG_revised.xlsx
- d) 2.0 Initial RAB Information Request Overview_revised.pdf
- e) 3.0 Financial Loss Asset Model_revised.xlsx
- f) 04. A13-16 & A29_UFB revenue cash flow summary.xlsx
- g) 05. A17-20_UFB operating expenditure cash flow summary_revised.xlsx
- h) 06. A22-23_Crown Financing Summary.xlsx
- i) 07. A24-25_depreciation summary_revised.xlsx
- j) 08. A25&A29_cap con adj.xlsx
- k) 09. A26-28 & A30_commissioned and disposed asset summary_revised.xlsx
- l) 10. A34_cost of financing.xlsx
- m) 11. A50-51 & A55-56 Tax Revenue & Opex_revised.xlsx
- n) 12. A53.1-53.2 & A53.9-53.10 Tax asset values_revised.xlsx
- o) 13. A53.4 UFB assets not maintained for tax_revised.xlsx
- p) 14. A53.6-53.7 Tax remaining lives and depreciation rates_revised.xlsx
- q) 15. A60 Initial RAB value of core fibre assets_revised.xlsx

We obtained the financial information from the Companies on 10 October 2022.

We obtained the reconciliation for each financial loss year between the Fixed Asset Register data and the inputs to the "LFC financial loss asset model August 2022.xlsx" ('the Commission model').

loss asset model August 2022.xlsx" ('the Commission model').

1. Capital expenditure – Agree the combined total of 'UFB value of net commissioned assets cash flow' per '09. A26-28 &30_commissioned and disposed asset summary.xlsx' to the combined total of 'Sum of value of net commissioned assets (unallocated)' and 'Sum of value of net commissioned assets (allocated)' tables on sheet 'LFC inputs' of the Commission model.
2. Tax capital expenditure – Agree the combined total of 'Net Commissioned assets' per '12. A53.1-53.2 & A53.9-53.10 Tax asset values.xlsx' to the combined total of 'Tax sum of value of net commissioned assets (unallocated)' and 'Tax UFB value of net commissioned assets cash flow (allocated)' tables on sheet 'LFC inputs' of the Commission model.
3. Asset value adjustments other than depreciation – There are no asset value adjustments other than depreciation for both Northpower Fibre Limited and Northpower LFC2 Limited for all financial loss years.
4. End of financial year book value – Agree the total of 'Sum of UFB asset base opening value as of 1 December 2011 (net book value) and 'UFB value of net commissioned assets cash flow' per '09. A26-28 & A30_commissioned and disposed asset summary.xlsx' and 'Net of depreciation' per '07. A24-25_depreciation summary.xlsx' to the combined total of 'Sum of UFB closing asset value' per the sheet 'DCF' of the Commission model.
5. End of financial year tax book value – Agree the total of 'Closing regulatory tax asset values' per '12. A53.1-53.2 & A53.9-53.10 Tax asset values.xlsx' to the combined total of 'Closing allocated tax asset base value' tables on sheet 'DCF' of the Commission model.
6. Accounting depreciation – Agree the total of 'Net of depreciation' per '07. A24-25_depreciation summary.xlsx' to the combined total of 'Depreciation (unallocated)' and 'Depreciation

1. For each financial loss year, we have agreed the combined total of 'UFB value of net commissioned assets cash flow' per '09. A26-28 &30_commissioned and disposed asset summary revised'.xlsx to the combined total of 'Sum of value of net commissioned assets (unallocated)' and 'Sum of value of net commissioned assets (allocated)' tables on sheet 'LFC inputs' of the Commission model.
2. For each financial loss year, we have agreed the combined total of 'Net Commissioned assets' per '12. A53.1-53.2 & A53.9-53.10 Tax asset values_revised'.xlsx to the combined total of 'Tax sum of value of net commissioned assets (unallocated)' and 'Tax UFB value of net commissioned assets cash flow (allocated)' tables on sheet 'LFC inputs' of the Commission model.
3. No procedures were performed. Per discussion with management there are no asset value adjustments other than depreciation for both Northpower Fibre Limited and Northpower LFC2 Limited for all financial loss years.
4. For each financial loss year, we have agreed the total of 'Sum of UFB asset base opening value as of 1 December 2011 (net book value) and 'UFB value of net commissioned assets cash flow' per '09. A26-28 & A30_commissioned and disposed asset summary_revised.xlsx' and 'Net of depreciation' per '07. A24-25_depreciation summary_revised.xlsx' to the combined total of 'Sum of UFB closing asset value' per the sheet 'DCF' of the Commission model.
5. For each financial loss year, we have agreed the total of 'Closing regulatory tax asset values' per '12. A53.1-53.2 & A53.9-53.10 Tax asset values_revised.xlsx' to the combined total of 'Closing allocated tax asset base value' tables on sheet 'DCF' of the Commission model.
6. For each financial loss year, we have agreed the total of 'Net of depreciation' per '07. A24-25_depreciation summary_revised.xlsx' to the combined total of 'Depreciation (unallocated)' and 'Depreciation (allocated)' tables on sheet 'LFC inputs' of the Commission model

<p>(allocated)' tables on sheet 'LFC inputs' of the Commission model.</p> <p>7. Tax depreciation – Agree the total of 'Tax depreciation' per '12. A53.1-53.2 & A53.9-53.10 Tax asset values.xlsx' to the combined total of 'Tax depreciation (unallocated)' and 'Tax depreciation (allocated)' tables on sheet 'LFC inputs' of the Commission model.</p> <p>Report on any variances exceeding \$200,000.</p>	<p>7. For each financial loss year, we have agreed the total of 'Tax depreciation' per '12. A53.1-53.2 & A53.9-53.10 Tax asset values_revised.xlsx' to the combined total of 'Tax depreciation (unallocated)' and 'Tax depreciation (allocated)' tables on sheet 'LFC inputs' of the Commission model.</p> <p>No variances exceeding \$200,000 were identified between the Fixed Asset Register data and the inputs to the Commission model.</p>
<p>A8 UFB operating expenditure cash flow, UFB revenues cash flow and capital contribution</p> <p>For each financial loss year agree each of the following metrics from the reconciliation between the financial information to the inputs to "LFC financial loss asset model August 2022.xlsx" ('the Commission model'):</p> <ol style="list-style-type: none"> 1. UFB operating expenditure cash flow – Agree the total of 'UFB operating expenditure cash flow - FLA model LFC inputs row 12' per '05. A17-20_UFB operating expenditure cash flow summary.xlsx' to the combined total of 'UFB operating expenditure cash flow' table on sheet 'LFC inputs' of the Commission model. 2. UFB revenues cash flow – Agree the total of 'UFB revenues cash flow - FLA model LFC inputs row 7' per '04. A13-16 & A29_UFB revenue cash flow summary.xlsx' to the combined total of 'UFB revenues cash flow' table on sheet 'LFC inputs' of the Commission model. 3. Capital contribution deductions of capital contributions originally accounted for as revenue under GAAP – Agree the total of 'capital contributions' per the '08. A25&A29_cap con adj.xlsx' to the adjustment put through in determining the 'UFB revenues cash flow' table on sheet 'LFC inputs' of the Commission model. <p>Report on any variances exceeding \$200,000.</p>	<p>We obtained the reconciliation between the financial information to the inputs to "LFC financial loss asset model August 2022.xlsx" ('the Commission model'). These are presented in the documents provided on 21 October 2022 and 21 October 2022 above.</p> <ol style="list-style-type: none"> 1. For each financial loss year, we have agreed the total of 'UFB operating expenditure cash flow - FLA model LFC inputs row 12' per '05. A17-20_UFB operating expenditure cash flow summary_revised.xlsx' to the combined total of 'UFB operating expenditure cash flow' table on sheet 'LFC inputs' of the Commission model. 2. For each financial loss year, we have agreed the total of 'UFB revenues cash flow - FLA model LFC inputs row 7' per '04. A13-16 & A29_UFB revenue cash flow summary.xlsx' to the combined total of 'UFB revenues cash flow' table on sheet 'LFC inputs' of the Commission model. 3. For each financial loss year, we have agreed the total of 'capital contributions' per the '08. A25&A29_cap con adj.xlsx' to the adjustment put through in determining the 'UFB revenues cash flow' table on sheet 'LFC inputs' of the Commission model. <p>No variances exceeding \$200,000 were identified between the reconciliation between the financial information to the inputs to the Commission model.</p>
<p>A9 Accruals and Non-cash items</p> <p>For each financial loss year identify each of the following metrics from the reconciliation between the</p>	<p>We obtained the 'Consolidated Reconciliation for accruals and non-cash items.xlsx' workbook from the Company on 19 November 2022 and identified the accruals and non-cash items at \$500,000 or more, and</p>



Cash Flow Statement presented in the financial information to the inputs to “LFC financial loss asset model August 2022.xlsx” (‘the Commission model’) for UFB operating expenditure cash flow and UFB revenues cash flow:

1. Accruals valued at \$500,000 or more – Identify all accruals valued at \$500,000 or more per the ‘Consolidated accruals and non-cash items.xlsx’ workbook relating to the operating costs inputs and/ or revenue inputs of the Commission model.
2. Non-cash items valued at \$500,000 or more – Identify all non-cash items valued at \$500,000 or more per the ‘Consolidated accruals and non-cash items.xlsx’ workbook relating to the operating costs inputs and/ or revenue inputs of the Commission model.
3. Cumulative net effect of accruals and non-cash items not included above – Identify all accruals and non-cash items valued at under \$500,000 per the ‘Consolidated accruals and non-cash items.xlsx’ workbook relating to the operating costs inputs and/ or revenue inputs of the Commission model.

Report on any variances **exceeding \$200,000.**

the cumulative net effect of accruals and non-cash not identified above, that relates to the operating costs inputs and/ or revenue inputs of the Commission model for each financial loss year.

There are no non-cash items identified in any of the financial loss years.

See Appendix B for the accrual items identified for each financial loss year.



Appendix B

The table below identifies the accrual items for each financial loss year ('FLY').

	FLY 2012 (\$'000)	FLY 2013 (\$'000)	FLY 2014 (\$'000)	FLY 2015 (\$'000)	FLY 2016 (\$'000)	FLY 2017 (\$'000)	FLY 2018 (\$'000)	FLY 2019 (\$'000)	FLY 2020 (\$'000)	FLY 2021 (\$'000)	FLY 2022* (\$'000)
Accruals relating to revenue inputs											
- Trade receivables more than \$500k	-	-	-	-	667	690	861	1,477	1,439	1,622	1,477
- Income in advance more than \$500k	-	-	-	-	-	-	-612	-780	-930	-1,075	-1,134
- Total items less than \$500k	22	63	72	146	-357	-477	-	-	-	-	-
Accruals relating to operating cost inputs											
- Prepayments more than \$500k	-	-	-	-	-	-	-	-	-	-	-
- Trade payables more than \$500k	-	-	-	-	-	-	-550	-	-545	-	-505
- Accruals more than \$500k	-	-	-	-	-	-	-	-	-	-772	-1,246
- Employee Entitlements more than \$500k	-	-	-	-	-	-	-	-	-	-	-
- Total items less than \$500k	-381	-197	-250	-329	-741	-442	-165	-935	-279	-117	134

* 1 July 2021 to 31 December 2021