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9 December 2022

Tuatahi First Fibre Limited - Final Draft Submission December 2022

Notes for the Section 221 Info Request to Tuatahi 120822(4460117.1) – Tuatahi responses to Attachment A, sections A4 to A65 in blue text (or screen shot evidence):

General information

Summary information

A4 Provide a summary document that:

- lists the name of each file provided in response to the requirements set out in this notice and a brief description of the information each file contains;
  - 'FINAL DRAFT LFC financial loss asset model December 2022 - Tuatahi First Fibre Limited' excel file – this is the Commerce Commission (ComCom) LFC Model updated for Tuatahi inputs.
  - 'P&L restated to June' excel file – contains detailed historical accounting and tax profit and loss information.
  - '0. RAB Summary' excel file - contains detailed historical regulatory fixed asset register information.
  - '31 December 2021 FAR Tax summary – sent' excel file – contains the 31 December 2021 Tax Fixed Assets Register by assets category and the estimated remaining useful lives for each asset category.
  - 'LFC financial loss asset model - Tuatahi First Fibre Limited – Changes' excel file – contains a reconciliation between the 21 October 2022 submission and the Final Draft submission on the 9th of December 2022, along with information to support this document.
  - 'A52' excel file – containing the information for request A52.
- shows where the Commission can find the information provided by Tuatahi in response to each requirement set out in this notice;
  - satisfied via this document.
- includes a glossary of key terms used by Tuatahi in its response to this notice where the terms are not defined in this notice or the IM Determination.
  - These are noted throughout the various documents. Please see the 'LFC financial loss asset model - Tuatahi First Fibre Limited – Changes' excel file for additional general notes and a glossary of network and asset types.

Requirements for reconciliation to audited and published financial accounts

A5 The financial information that Tuatahi provides in response to this notice must be information for each financial loss year (i.e., from 1 December 2011 until 31 December 2021) that can be reconciled to Tuatahi's audited and published financial accounts provided in accordance with the requirements set out in clauses B1.1.2- B1.1.4 and B1.1.6-B1.1.9 of Schedule B of the IM Determination.

- See the 'P&L restated to June' excel file >>> 'full TB' tab ROWS 295:305 - with screenshots (to the far right, starting from ~ ROW 262) of the relevant annual reports for Tuatahi First Fibre Limited (formerly Ultrafast Fibre Limited), along with a material reconciliation to said numbers at the bottom of the 'full TB' tab. We have reviewed the determination and believe we have materially met the requirements per Schedule B to the best of our knowledge and understanding.

Assurance requirements

A6 In respect of the information required under clauses A12 to A65 of this notice, Tuatahi must provide, as a minimum, an Agreed-Upon Procedures report on the matters prescribed in clauses A7-A11 of this notice.

- Please see PwC AUP report.

A7 The Agreed-Upon Procedures report must set out the factual findings obtained from conducting the agreed-upon procedures to reconcile the figures provided as inputs to the Commission model back to the FAR for the following metrics:

- capital expenditure; reconciliation provided to PwC
- asset value adjustments other than depreciation; see A16 below
- end of financial year book value; reconciliation provided to PwC. See '0. RAB Summary' excel file >>> 'Historic Acc Rec' tab
- end of financial year tax book value; reconciliation provided to PwC. See '0. RAB Summary' excel file >>> 'Historic Tax Rec' tab
- accounting depreciation; and reconciliation provided to PwC. See '0. RAB Summary' excel file >>> 'Historic Acc Rec' tab
- tax depreciation. reconciliation provided to PwC. See '0. RAB Summary' excel file >>> 'Historic Tax Rec' tab

See the '0. RAB Summary' and 'P&L restated to June' excel files for the relevant information as included in the submission. We have also provided additional material to PwC reconciling the submission to the FAR (noting the known variances which include the impact of network revaluations over time and the timing of capitalisation to the FAR versus the available for service date).

A8 The Agreed-Upon Procedures report must set out the factual findings obtained from conducting the agreed-upon procedures to reconcile the figures provided as inputs to the Commission model back to Tuatahi's financial accounting systems used to prepare general purpose financial reports (general ledger) for the following metrics:

- UFB operating expenditure cash flow; and
- UFB revenues cash flow.
- capital contribution deductions of capital contributions originally accounted for as revenue under GAAP;

See the 'P&L restated to June' excel file and the response to A5 above. We have also provided additional material to PwC reconciling the submission to our Management Accounts, including any non-UFB and non-FFLAS adjustments.

A9 When considering the reconciliation required under clause A8, the following must be identified:

- any accruals valued at $1 million or more that are included in either or both of the:
    - A9.1.1 operating costs inputs; or

  - A9.1.2 revenue inputs;
  - We have provided a listing of any accruals or non-cash items over $1m to PwC. These can be provided to the ComCom if requested.
- any non-cash items valued at $1 million or more that are included in either or both of the:
  - A9.2.1 operating costs inputs; or
  - A9.2.2 revenue inputs.
  - We have provided a listing of any accruals or non-cash items over $1m to PwC. These can be provided to the ComCom if requested.
- the cumulative net effect of accruals and non-cash items that are not included under A9.1 and A9.2.
  - We have provided a summary of all other accruals to PwC. These can be provided to the ComCom if requested.

A10 The Agreed-Upon Procedures report must include procedures designed to verify compliance of the information required under clauses A12 to A65 of this notice with the IM Determination. These procedures must include:

- obtaining an understanding of the methods and assumptions used to derive the proposed values of Tuatahi's:
  - A10.1.1 core fibre assets at implementation date; and
  - A10.1.2 financial loss asset at implementation date.
- assessment of compliance with the IM Determination, including:
  - A10.2.1 identifying where judgements have been made, and assessing whether those judgements are consistent with the IM Determination;
  - A10.2.2 identifying any potential errors or ambiguities in the approach adopted by Tuatahi in determining the information in clauses A12 to A65 of this notice.

Please see PwC report - Tuatahi are comfortable that we have had appropriate and detailed conversations with PwC to satisfy this requirement (in addition to discussions with the ComCom to obtain further insight and clarity).

A11 In particular, the assessment under clause A10 must consider:

- asset categorisation;
- application of the cost allocation input methodology in Subpart 1 of Part 2 of the IM Determination and Section 3 of Schedule B of the IM Determination (whichever is applicable) to UFB assets, core fibre assets and operating costs (including cost allocators and asset allocators);
- commissioning, depreciation and disposals assumptions and methods for UFB assets and tax assets;
- derivation of UFB cash flows, including UFB operating expenditure cash flow, UFB revenues cash flow, tax and commissioned assets;
- consideration of whether the results of any alternative methodology for determining financial losses, as proposed or applied by Tuatahi under clause A57 of this notice:
  - A11.5.1 either:
    - produces an equivalent effect to the methodology that would otherwise apply; or
    - (b) produces substantially the same effect to the methodology that would otherwise apply; and,
  - A11.5.2 relative to the methodology that would otherwise apply, does not detract from
    - promoting the purpose of Part 6 of the Act; and
    - (b) where relevant, the promotion of workable competition in telecommunications markets for the long-term benefit of end-users of telecommunications services;

- determination of the proportion of net drawdowns for each financial loss year that are:
    - A11.6.1 in substance, debt;
    - A11.6.2 in substance, equity; or
    - A11.6.3 in substance, a combination of debt and equity.

Please see PwC report - Tuatahi are comfortable that we have had appropriate and detailed conversations with PwC to satisfy this requirement (in addition to discussions with the ComCom to obtain further insight and clarity).

Financial loss asset information

A12 The requirements in clauses A13 to A56 of this section of the notice must be read in conjunction with the requirements of Schedule B of the IM Determination and the Commission model.

Noted and achieved.

Initial RAB value of financial loss asset

UFB revenues cash flow

A13 Provide the sum of the UFB revenues cash flow as follows:
- for each financial loss year; and
- aggregated according to revenue classes.

See the 'P&L restated to June' excel file >>> 'full TB' tab ROWS 258:269 - we do not hold a more detailed view in our financial reporting system (if necessary we can provide more detail but that will rely upon our billing files that have timing variances given our billing in advance approach - they are also monthly in nature and significant in size so we would need to use an estimate / assumption to proxy a more detailed classification, all being time consuming).

A14 Provide details of any revenue allocations that were applied to gross revenues in order to determine the UFB revenues cash flow. In particular, provide a list of all revenue allocators that Tuatahi has applied to allocate revenues that are not directly attributable to the provision of UFB FFLAS for each financial loss year. The list of allocators must provide the following as a minimum:
- the name of the allocator;
- whether the allocator type is based on a causal relationship or is equal to a proxy allocator;
- a list of all revenue categories to which this allocator is applied;
- the allocator value for each financial loss year;
- the rationale for the choice of this allocator, including
    - A14.5.1 evidence that supports that the allocator is objectively justifiable and demonstrably reasonable; and
    - A14.5.2 alternative allocators considered when choosing the allocator.

N/A - no revenue allocations are required as our revenue streams are either UFB FFLAS initiative related or not (if they are the latter, they are excluded - this includes Premise Networking (beyond the ONT services that are therefore not FFLAS – as per 2.140 of the Fibre-Input-Methodologies-Main-final-decisions-reasons-paper-13-October-2020), internal revenue, interest income and minor capital gains on asset sales as non-FFLAS, and the Velocity network and non-UFB towns as non-UFB initiative revenues) – no revenue is not directly attributable to a specific service or location and therefore no allocators are required.

All excluded non-UFB FFLAS revenue categories are included in ROWS 261:267 of the 'P&L restated to June' excel file >>> 'full TB' tab. *Note: all revenue adjustments start with a 'Less:' to denote them as adjustments to the underlying revenue.*

A15 Provide a reconciliation of the UFB revenues cash flow including capital contributions deductions) back to operating revenue according to service as disclosed in Tuatahi's published general-purpose financial statements for each financial loss year and an explanation of all reconciling items.

See the 'P&L restated to June' excel file >>> 'full TB' tab ROWS 296:297 & 304 with explanations provided below (Note: capital contributions are called 'Third Party Contributions' (TPC) in our reporting).

Note: This compares the underlying revenue (not adjusted for non-UFB FFLAS as noted in A14 above) with the published financial statements, given the adjustments are noted in ROWS 261:267.

A16 Provide details to confirm that adjustments to the UFB revenues cash flow including capital contributions are reconcilable to amounts deducted from the value of commissioned assets, as provided for under clause B1.1.3 of Schedule B of the IM Determination:

- in respect of a UFB asset commissioned in the financial loss period, adjusting that cost for accumulated depreciation and impairment losses (if any) recognised by the regulated provider (ignoring any accounting adjustment for Crown financing), as at the UFB FFLAS commissioning date, under GAAP.

See the '0. RAB Summary' excel file >>> '2. Summary' tab cell O70 (the formula checks the total per the P&L file against the total in the RAB Summary file).

UFB operating expenditure cash flow

A17 Provide the sum of the unallocated operating costs incurred under the UFB initiative that are either directly attributable or not directly attributable to the provision of UFB FFLAS, as follows:

- for each financial loss year; and
- aggregated according to expenditure categories.

See the 'P&L restated to June' excel file >>> 'full TB' tab ROWS 272:288 (Note: Price discount is simply a reclass from expenses to revenue as it relates to eliminating charges for Tuatahi's use of our own services). See A18 for additional detail on the non-UFB FFLAS expenses.

A18 Provide the sum of excluded operating costs that are directly attributable to services that are not UFB FFLAS, in the following way:

- for each financial loss year; and
- aggregated according to expenditure categories.

See the 'P&L restated to June' excel file >>> 'full TB' tab ROWS 274:275 (Note: the only costs we exclude are Premise Networking (PN) as a non-regulated non-FFLAS activity and the Velocity Network costs, which is a non-UFB initiative network). Premise networking expenses are removed per the reason given in A14 above (beyond the ONT services). See A21 for additional information on the expense adjustments.

Note: the expense adjustments for Velocity and PN directly link to the costs incurred to generate the revenue for both activities, with no additional expense allocations required as no material additional supporting activity (beyond that already included) is performed by Tuatahi.

A19 Using the information provided at clauses A17 and A18 of this notice, provide a reconciliation of operating costs to Tuatahi's published general purpose financial statements.

See the 'P&L restated to June' excel file >>> 'full TB' tab ROWS 300:301 & 305 with explanations provided below.

Note: This compares the underlying expenses (not adjusted for non-UFB FFLAS as noted in A21 above) with the published financial statements, given the adjustments are noted in ROWS 274:275.

A20 Provide the UFB operating expenditure cash flow as follows:

- for each financial loss year; and
- aggregated according to expenditure categories.

See the 'P&L restated to June' excel file >>> 'full TB' tab ROWS 272:288 – with the total shown in ROW 288.

<u>UFB cost allocation adjustment cash flow</u>

A21 Subject to clause A65 of this notice, provide, by asset class, the opening cost allocator value, closing cost allocator value and proposed UFB cost allocation adjustment cash flow for each financial loss year. In particular, provide:

- all allocator types as of the commencement of each financial loss year;
- all allocator types as at the end of each financial loss year;
- all allocator values as of the commencement of each financial loss year; and
- all allocator values as of the end of each financial loss year.

N/A - no expense or asset allocations are required as our expense streams and assets are either UFB FFLAS initiative related or not (if they are the latter, they are excluded - as noted in A18). Note non-UFB towns and the Velocity network are deemed non-UFB initiative assets so are excluded from the submission. No expenses or assets are not directly attributable to a specific service or location and therefore no allocators are required.

All excluded non-UFB FFLAS expense categories are included in ROWS 274:275 of the 'P&L restated to June' excel file >>> 'full TB' tab. *Note: all expense adjustments start with a 'Less:' to denote them as adjustments to the underlying expenses.*

See the '0. RAB Summary' excel file >>> '2. Summary' tab ROWS 36:37 for the non-UFB town adjustments made (further information is provided in tabs: 'Velocity' and 'NonUFB').

<u>Present value benefit of Crown financing</u>

<u>*Net drawdowns*</u>

A22 Provide the following information:

- the amount of Crown financing drawn down by Tuatahi (or a related party as referred to in section 164 of the Act) in each financial loss year; and
- the amount of Crown financing repaid by Tuatahi (or a related party as referred to in section 164 of the Act) in each financial loss year.

See 'FINAL DRAFT LFC financial loss asset model December 2022 - Tuatahi First Fibre Limited' >>> 'LFC inputs' tab (ROWS 33:34 with the associated comments in column O).

A23 Provide the following information:
- the amount of Crown financing drawn down for each financial loss year that is, in substance, equity and the amount that is, in substance, debt.
- the amount of Crown financing that is repaid for each financial loss year that is, in substance, equity and the amount that is, in substance, debt.

See 'FINAL DRAFT LFC financial loss asset model December 2022 - Tuatahi First Fibre Limited' >>> 'LFC inputs' tab (ROW 35 with the associated comments in column O) - noting the ComCom's agreement that we can submit using 50%, but this is subject to refinement pending additional information to be requested by the ComCom.

We have proposed to use a 50:50 debt and equity allocation for the following reasons:
- Under NZ IAS 32, it is the substance of a financial instrument, rather than its legal form, which governs its classification.
- The share buyback arrangement was in the form of A shares, which, in our view, is strongly indicative of an equity instrument.
- On the other hand, the nature of the agreement (overall at the Group level) has an element of debt because:
    - the financial instrument contained an obligation (whereby the issuing entity was or may have been required to deliver cash or another financial asset to the instrument holder); and
    - the buyback nature of the shares was on a quarterly basis, based on the number of connections completed.

Depreciation

Depreciation of assets constructed or acquired during the financial loss period

A24 Provide a list of the depreciation and any impairment losses recognised by Tuatahi for each UFB asset with a UFB FFLAS commissioning date in the financial loss period as follows:
- for each financial loss year; and
- subject to clause A65 of this notice, aggregated according to asset classes.

See the '0. RAB Summary' excel file >>> '2. Summary' tab COLUMNS S:AD (accumulated depreciation) and AF:AQ (depreciation) and the associated notes in the '1. Approach' tab.

Note: no impairment is included as it is not apparent per our Regulatory FAR methodology nor is it material.

Depreciation adjustments in relation to capital contributions

A25 Any capital contributions received must be deducted from the value of commissioned assets. As those capital contributions originally accounted for under GAAP as revenue will have undergone an adjustment to reduce asset values, this will lead to depreciation adjustments. Provide details of:
- the value of any accumulated depreciation adjustments in respect of capital contributions deducted from the costs incurred by Tuatahi in constructing or acquiring a UFB asset for each financial loss year; and
- the reconciliation of the revised depreciation data to the unadjusted depreciation data, which reconciles to Tuatahi's published general-purpose financial statements.

See the '0. RAB Summary' excel file >>> '2. Summary' tab ROWS 62:68 and associated notes in the '1. Approach' tab (Note: our accounting depreciation per our annual reports does not reconcile over the entire period given the impact of revaluations applied to the network per GAAP (to present fair value), which are not included in the RAB; it will also not reconcile due to our approach to building the RAB based on retrospective actual 'placed in service' information (versus its physical inclusion in the fixed assets register, which can be delayed for administrative reasons etc.)).
A reconciliation to the accounting FAR has been provided to PwC.

Value of commissioned assets for UFB assets

Assets constructed or acquired during the financial loss period

A26 Provide the value of commissioned assets as referred to in clause B1.1.3(1) of Schedule B of the IM Determination and the sum of value of commissioned assets as follows:

- for each financial loss year;
- subject to clause A65 of this notice, aggregated according to asset classes.

See the '0. RAB Summary' excel file >>> '2. Summary' tab ROWS 4:49 (closing cost) and 83:128 (additions) and associated notes in the '1. Approach' tab (explaining the categorisation and approach - Note: the categories shown are the most detailed summary information we can provide per our financial reporting system and fixed assets register - it is how we report and run the business).

A27 For the purpose of clause A26 of this notice, Tuatahi are not required to provide a detailed list containing every asset, but the sum of value of commissioned assets must be capable of being linked back to assets in the FAR.

We have provided PwC with a reconciliation of additions to the tax and accounting FARs, noting the known timing variance linked to our regulatory FAR methodology (See the '0. RAB Summary' excel file >>> Notes in the '1. Approach' tab for more information). See the '0. RAB Summary' excel file >>> 'Historic Acc Rec' and 'Historic Tax Rec' tabs.

A28 For the purpose of clause A27 of this notice, the cost of the assets must be adjusted for accumulated depreciation and impairment losses (if any) recognised by Tuatahi (ignoring any accounting adjustment for Crown financing), as at the UFB FFLAS commissioning date, under GAAP.

See the '0. RAB Summary' excel file >>> Notes in the '1. Approach' tab (we believe we materially align to the request because of our regulatory FAR methodology linked to capitalisation based on the placed in service date of each asset).

Capital contributions

A29 Provide details of:

- all capital contributions received for each financial loss year, setting out which were deducted from asset values and which were accounted for as revenue under GAAP; see A16 above for the amount deducted from the RAB; and the 'P&L restated to June' excel file >>> 'full TB' tab ROW 261 for the revenue per GAAP
- The adjustments made to the value of commissioned asset to deduct capital contributions originally accounted for as revenue from the value of commissioned asset under GAAP. See A16 above
- The details provided in response to clauses A29.1 and A29.2 of this notice must be reconciled to the data provided in response to clause A16 of this notice regarding UFB revenues cash

flow. Provide details and a reconciliation of capital contributions originally accounted for as revenue under GAAP that have been deducted from revenue in your response to clause A16 of this notice. See A16

See A16 and A25 above.

Disposed assets

A30 Provide the sum of value of disposed assets in accordance with clause B1.1.2(4)(d)(i)-(ii) of the IM Determination, as follows:
- for each financial loss year;
- subject to clause A65 of this notice, aggregated into asset classes.

See A24 above (specifically the commentary on impairment). Note in relation to the immaterial level of disposed network assets: – our approach has been to include all network assets we had in the FAR as at 31 Dec 2021 and create a Regulatory FAR for each year based on the information we have for those assets (placed in service, cost, useful life etc.). We therefore exclude any network assets disposed of in the Regulatory FAR – noting the level of disposed network assets is immaterial given the age of our network. For clarity, it is worth noting that end of life assets are included in our Regulatory FAR – we do not deem those as being disposed of as they were not removed before their useful life ended.

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 that are included in the value of commissioned assets (as set out at clause A26), in order to demonstrate compliance with clause B1.1.3(2) of Schedule B of the IM Determination:
- easements; we obtain these as an operational activity to protect our rights, incurring a small legal cost in the process (which we either pass on to end users as cost recovery, or incur via operating expenses)
- network spares; see below
- UFB assets acquired from another regulated provider; not applicable
- a UFB asset (or component of) acquired in a related party transaction (see A36); and
- vested assets. not applicable

We do not have any of the asset types listed, to any material degree. In relation to network spares, depending on the nature of the equipment / spare, these could be part of inventory at any one time – to then be subsequently consumed and capitalised to the asset base – or they could be expensed as part of normal maintenance, remediation or strikes work. It is an immaterial amount and not one we actively report on given the age of our network.

Finance leases

A32 Provide an explanation of how Tuatahi has accounted for finance leases for the financial loss period, given the change in requirements under NZ IFRS 16, for example:
- when the change to capitalising leases as required under NZ IFRS 16 was made; and
- the impact on operating costs from the change to capitalisation of leases under NZ IFRS 16.

Note: Finance leases are no longer a term within GAAP, therefore we have provided an explanation and summary of the impact of all leases on the adoption of IFRS 16.

We have included leases linked to IFRS 16 from 2019 onwards as per adoption of the new standard (1 April 2019); See the '0. RAB Summary' excel file >>> '2. Summary' tab ROWS 45:46 for the associated assets created; network costs were reduced at the same time to reflect the associated depreciation and interest amounts (reported below EBITDA). [redacted]

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.

See the '0. RAB Summary' excel file >>> '2. Summary' tab ROW 42 (computer software - identified intangible assets that we control - used to manage, monitor and support the network and associated activities such as build, provisioning, and maintenance, for example).
Please see A32 in relation to Leases (Note: "right-of-use assets" under NZ IFRS 16 are identifiable non-monetary assets per the IM Definition).

Cost of financing

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

$3.5m capitalised interest from 2018 to 2021 (largely UFB 2/2+ related) - See the 'P&L restated to June' excel file >>> 'full TB' tab (row 180).

A35 Provide details of:

- any revenue derived in relation 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 the revenue if such a reduction is not otherwise made under GAAP; Revenue is not derived from Work in Progress (WIP) assets - it can only be derived when the asset is placed in service and therefore included in the RAB
- 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 such expenditure is treated as relating to a separate asset; and - Any incremental spend on a UFB asset, that can be directly linked to that asset to enhance or improve it, will be allocated to the UFB asset based on its placed in service date - given our regulatory FAR approach we are correcting for any delayed capitalisation due to administrative or timing delays, retrospectively.
- any reduction in the cost of assets due to revenue derived in relation to works under construction. See the response to the first bullet above

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.

All UFB assets acquired via a related party transactions (Waikato Networks Limited (WNL)) were done at arm's length. WNL (now UFF Holdings) built the network at cost with third parties (Transfield at that time) creating an arm's length relationship. All costs were charged through to UFF per the NIPA (Network Infrastructure Project Agreement) as agreed in contract (based on an appropriate estimate of cost per premise / activity / asset at the time). WNL then charged an overage (excess communal build actual costs) amount on top of the contracted rate (as agreed between the parties) based on the actual costs incurred with the third party (reflecting the actual arm's length cost to build the assets), along with allocated costs for time and material associated with the build and related financing costs. In summary, all costs incurred by WNL to build the assets via third parties, along with driver based cost allocations (based on time and effort) from the parent, were eventually fully charged to Tuatahi with no excess return held in WNL.

We believe this meets the definition of arm's length per the determination as being fair and reasonable to Tuatahi, and substantially the same as the cost that has been incurred by the related party in providing the same type of UFB asset to third parties.

Allocation methodology for determining financial losses

Allocation of operating costs incurred under the UFB initiative to the provision of UFB FFLAS for a financial loss year

A37 Provide the sum of operating costs incurred during the financial loss period that are directly attributable to the provision of UFB FFLAS as follows:

- for each financial loss year; and
- aggregated into operating cost categories.

See A17 and A18 above.

A38 Provide the sum of operating costs incurred during the financial loss period that are not directly attributable to the provision of UFB FFLAS that must be allocated to UFB FFLAS as follows:

- by applying ABAA, where cost allocators must be used to proportionally allocate those operating costs between-
  - A38.1.1 UFB FFLAS; and
  - A38.1.2 services that are not UFB FFLAS;
- for each financial loss year; and
- aggregated into operating cost categories.

See A18 and A21 above.

A39 For the information provided at A38, provide both the unallocated and allocated amounts.

See A21 to justify why allocations are not required.

Cost allocator types

A40 Provide a list of all cost allocators that Tuatahi has applied to allocate operating costs that are not directly attributable to the provision of UFB FFLAS and the opening cost allocator value for each financial loss year. The list must provide the following as a minimum:

- the name of the allocator type;
- whether the allocator type is based on a causal relationship or is equal to a proxy cost allocator;
- the allocator from the allocator types listed in clause B1.1.6(1)(c)(i)-(ix) of Schedule B of the IM Determination to which it relates, or identifying if Tuatahi seeks the Commission to determine any other allocator types under clause B1.1.6(1)(c)(x) of Schedule B of the IM Determination.
- a list of all operating cost categories to which this allocator is applied;
- the allocator value for each financial loss year;
- the rationale for the choice of this allocator, including:

  - A40.6.1 demonstrating that the causal relationship or proxy cost allocator is consistent with similar measures, both within a financial loss year and between financial loss years; and
  - A40.6.2 evidence that supports that the allocator is objectively justifiable and demonstrably reasonable; and
- alternative allocators considered when choosing the allocator, including whether they are included in the allocator types listed in clause B1.1.6(1)(c)(i)-(ix) of Schedule B of the IM Determination or would need to be other allocator types as determined by the Commission under clause B1.1.6(1)(c)(x) of Schedule B of the IM Determination.

See A21 to justify why allocations are not required.

Allocation of asset values utilised/employed under the UFB initiative in the provision of UFB FFLAS for a financial loss year

A41 Provide the sum of 'asset values' that are directly attributable to the provision of UFB FFLAS for the purposes of clause B1.1.6(2)(b) of Schedule B of the IM Determination, as follows:
- for each financial loss year; and
- subject to clause A65 of this notice, aggregated into asset classes.

See A26 above.

A42 Provide the sum of 'asset values' that are not directly attributable to the provision of UFB FFLAS for the purposes of clause B1.1.6(2)(c) of Schedule B of the IM Determination that must be allocated to UFB FFLAS by applying ABAA, where asset allocators must be used to proportionally allocate those 'asset values' between:
- UFB FFLAS; and
- services that are not UFB FFLAS.

See A21 to justify why allocations are not required - all of our assets are linked to the delivery, management, production, service and operation of FFLAS.

A43 Provide the information in clause A42 of this notice as follows:
- for each financial loss year; and
- subject to clause A65 of this notice, aggregated into asset classes.

See A42 for why this is not applicable.

A44 For the information provided at clause A42 of this notice, provide both the unallocated and allocated amounts.

See A42 for why this is not applicable.

A45 Note that this information must reconcile with the sum of value of commissioned assets as provided under clause A26 of this notice.

Noted - see A42 for why this is not applicable.

UFB opening and UFB closing cost allocator values for each financial loss year

Allocator types

A46 Provide a list of all allocator types and allocator values, as at the commencement and end of each financial loss year, applied to undertake the calculation of the opening cost allocator value and closing cost allocator values by financial loss year. The list must provide the following information as a minimum:

- name of the allocator type;
- whether the allocator type is based on a causal relationship or is equal to a proxy asset allocator;
- the allocator from the allocator types listed in clause B1.1.6(2)(d)(i)-(ix) of Schedule B of the IM Determination which this relates to, or identifying if Tuatahi seeks the Commission to determine any other allocator type under B1.1.6(2)(d)(x) of Schedule B of the IM Determination;
- subject to clause A65 of this notice, a list of all asset classes to which this allocator is applied;
- the opening cost allocator value and closing cost allocator values for each financial loss year;
- the rationale for the choice of this allocator, including
  - A46.6.1 demonstrating that the causal relationship or proxy asset allocator is consistent with similar measures, both within a financial loss year and between financial loss years;
  - A46.6.2 evidence that supports that the asset allocator is objectively justifiable and demonstrably reasonable; and
- alternative allocators considered when choosing the allocator, including whether they are included in the allocator types listed in clause B1.1.6(2)(d)(i)-(ix) of Schedule B of the IM Determination or would need to be other allocator types as determined by the Commission under clause B1.1.6(2)(d)(x) of Schedule B of the IM Determination.

See A21 to justify why allocations are not required.

A47 Confirm compliance with clause B1.1.6(3) of Schedule B of the IM Determination, by demonstrating that the allocator types specified in clauses A40 and A46 of this notice have been applied using allocator values that were reviewed and updated in respect of each financial loss year.

See A21 to justify why allocations are not required.

A48 Provide details of whether any allocators have been adjusted to ensure that the asset value or operating cost allocated to UFB FFLAS is not more than the total asset values or total operating costs that Tuatahi could not have avoided if it ceased supplying services that are not UFB FFLAS. This must include a description of the methods used to ensure that this clause has been satisfied, including any adjustments undertaken to comply with this requirement.

See A21 to justify why allocations are not required.
No material allocation or impact is therefore apparent as no allocators are used.

A49 If clause B1.1.6(5) of Schedule B of the IM Determination applies, provide details of how this has been determined.

See A21 to justify why allocations are not required. This clause is not applicable.

Tax information

Tax costs information

A50 Provide UFB tax revenue for each financial loss year.

See the 'P&L restated to June' excel file >>> 'Tax' tab ROW 69.

A51 Provide the UFB tax operating expenditure for each financial loss year.

See the 'P&L restated to June' excel file >>> 'Tax' tab ROW 70.

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 that:

- allows for the correct recognition of the timing of UFB utilised tax losses; and
- is consistent with the Commission's method used in the Commission model for calculating notional deductible interest for each financial loss year that is associated with financing privately funded assets over the financial loss period.

We have provided a calculation to PwC that uses the UFB cash flows to calculate the resulting UFB tax costs cash flow for each period (this is based exactly on the ComCom model tax calculation methodology). This has been included as the 'A52' excel file.

Regulatory tax asset value for UFB assets

A53 Provide:

- the sum of tax asset values at the commencement of each financial loss year for the financial loss period; see '0. RAB Summary' excel file >>> 'Historic Tax Rec' tab
- the sum of regulatory tax asset values at the commencement of each financial loss year for the financial loss period; see '0. RAB Summary' excel file >>> 'Historic Tax Rec' tab and 'P&L restated to June' excel file >>> 'Tax' tab ROWS 83:84 and 89:94
- 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; they are allocated to exactly the same asset categories as per the accounting and regulatory FARs upon capitalisation
- the nature and values of a UFB asset or group of UFB assets that does not have a matching asset or groups of assets maintained under the tax rules, and value of associated depreciation temporary differences included in the sum of depreciation temporary differences; depreciation reconciliation provided to PwC (see '0. RAB Summary' excel file >>> ' Historic Tax Rec' tab)
- where an asset or group of assets maintained under the tax rules does not have a matching UFB asset or group of UFB assets, the value of the asset allocated to the provision of UFB FFLAS and the allocation methodology employed; See A21 to justify why allocations are not required
- subject to clause A65 of this notice, weighted average remaining tax life of assets employed by asset class; see the '31 December 2021 FAR Tax summary – sent' excel file
- tax depreciation methodology employed and subject to clause A65 of this notice, tax depreciation rates by asset class; straight line depreciation by asset class; for tax useful lives see the '31 December 2021 FAR Tax summary – sent' excel file
- particulars of the calculation used to derive the regulatory tax asset values at the commencement of the financial loss year from the tax asset values at the commencement of each financial loss year; See the 'P&L restated to June' excel file >>> 'Tax' tab ROWS 83:84 and 89:94
- sum of regulatory tax asset values at the end of each financial loss year; See the 'P&L restated to June' excel file >>> 'Tax' tab ROWS 83:84 and 89:94
- 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; See the 'P&L restated to June' excel file >>> 'Tax' tab ROW 68
    - A53.10.2 disposed assets; see A30 above
    - A53.10.3 tax depreciation; and - See the 'P&L restated to June' excel file >>> 'Tax' tab ROW 72
    - A53.10.4 other asset adjustments, including cost allocation adjustments; n/a
- 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; see tax FAR ('0. RAB Summary' excel file >>> 'Historic Tax Rec' tab)
    - A53.11.2 disposed assets; and see tax FAR ('0. RAB Summary' excel file >>> 'Historic Tax Rec' tab)
    - A53.11.3 tax depreciation. see tax FAR ('0. RAB Summary' excel file >>> 'Historic Tax Rec' tab)

See the 'P&L restated to June' excel file >>> 'Tax' tab ROWS 68 and 72 - tax asset classes are directly aligned to the accounting classes reported per the previous sections. Note: the estimated weighted average remaining tax useful life by asset class is presented in the '31 December 2021 FAR Tax summary' excel file, column I (as a high-level estimate). We have provided PwC with evidence supporting that the tax asset and depreciation values disclosed are aligned to the tax FAR.

Tax losses information

UFB tax losses roll-forward

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

See 'FINAL DRAFT LFC financial loss asset model December 2022 - Tuatahi First Fibre Limited' ('DCF' tab) ROWS 100:103.

Permanent differences information

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

See the 'P&L restated to June' excel file >>> 'Tax' tab ROWS 17:21 & 37. See the 'Notes' tab in the workbook that explains the permanent differences (Note: capital contributions are treated differently for tax versus accounting, the revenue is spread over a 10 year period for tax purposes).

Temporary differences information

A56 Provide, for each financial loss year:
- sum of depreciation temporary differences;
- sum of temporary differences other than depreciation temporary differences; and
- amounts and nature of items used to determine temporary differences other than depreciation temporary differences.

See the 'P&L restated to June' excel file >>> 'Tax' tab ROWS 23:26 & 38. See the 'Notes' tab in the workbook that explains the temporary differences. We have provided a reconciliation to PwC of the regulatory FAR depreciation against tax and accounting depreciation.

Alternative methodologies for determining financial losses

A57 In respect of the information required under this notice relating to the determination of the financial losses under clause B1.1.2(2) of Schedule B of the IM Determination, provide details of any alternative methodologies that Tuatahi:

- proposes that the Commission applies under clause B1.1.14(1)(a) of Schedule B of the IM Determination; or
- has applied in the production, supply or preparation of the information in response to this notice under clause B1.1.14(1)(b) of Schedule B of the IM Determination.

No alternative methodologies in calculating financial losses has been proposed by Tuatahi. We reserve the right to further review, discuss and update some of the assumptions applied in the submission based on additional information and unique circumstances applicable to Tuatahi.

A58 Where Tuatahi has proposed or applied an alternative methodology, provide details of whether the alternative methodology proposed or applied is in relation to any or all of:

- asset valuation in Section 2 of Schedule B of the IM Determination;
- cost allocation in Section 3 of Schedule B of the IM Determination; and
- taxation in section 4 of Schedule B of the IM Determination.

See A57 above.

A59 Where Tuatahi has proposed or applied an alternative methodology, provide information that shows that the result of any alternative methodology:

- either:
    - A59.1.1 produces an equivalent effect to the methodology that would otherwise apply; or
    - A59.1.2 produces substantially the same effect to the methodology that would otherwise apply; and,
- relative to the methodology that would otherwise apply, does not detract from:
    - A59.2.1 promoting the purpose of Part 6 of the Act; and
    - A59.2.2 where relevant, the promotion of workable competition in telecommunications markets for the long-term benefit of end-users of telecommunications services.

See A57 above.

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

Core fibre assets directly attributable to ID FFLAS

A60 Subject to clause A65 of this notice, 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.

See A26 above.

<u>Core fibre assets not directly attributable to ID FFLAS</u>

A61 Subject to clause A62 of this notice, provide the sum of all initial RAB values of core fibre assets for the ID RAB that are not directly attributable to the provision of ID FFLAS that must be allocated to ID FFLAS by applying ABAA, where asset allocators must be used to proportionally allocate between ID FFLAS and services that are not regulated FFLAS any unallocated initial RAB values that are not directly attributable to the provision of:

- ID FFLAS; or
- (ii) services that are not regulated FFLAS.

See A21 to justify why allocations are not required - all of our assets, except as noted in A21, are linked to the delivery, management, production, service and operation of FFLAS.

A62 Subject to clause A65 of this notice, the information provided under clause A61 of this notice must be aggregated according to asset classes.

See A21 to justify why allocations are not required - all of our assets, except as noted in A21, are linked to the delivery, management, production, service and operation of FFLAS.

A63 In respect of the initial RAB values in clause A61 of this notice, provide both the unallocated and allocated values.

See A21 to justify why allocations are not required - all of our assets, except as noted in A21, are linked to the delivery, management, production, service and operation of FFLAS.

<u>Key data used for cost allocation or other purposes for the determination of the initial ID RAB</u>

A64 Provide a breakdown by allocator type of the allocator values used to calculate each allocator over time.

See A21 to justify why allocations are not required - all of our assets, except as noted in A21, are linked to the delivery, management, production, service and operation of FFLAS.

Ability to provide asset class information by ID asset category

A65 For the purposes of clause A21, A24.2, A26.2, A29.3, A30.2, A41.2, A43.2, A46.4, A53.6, A53.7, A60 and A62 of this notice, the information required in those clauses may be provided by ID asset categories instead of asset classes if a reconciliation of the ID asset categories to asset classes is provided.

See A26 above.