Agreed-upon procedures report

To: Tuatahi First Fibre Limited (the Engaging Party)

Purpose of this Agreed-Upon Procedures Report

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

Responsibilities of the Engaging Party

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

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

Professional Ethics and Quality Control

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

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

Our responsibilities

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

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

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Procedures and Findings

We have performed the procedures described below, which were agreed upon with the Engaging Party in the letter of engagement dated 16 September 2022, with reference to clauses A7 to A9 of the Notice.

The procedures are not designed to and are not likely to reveal fraud or misrepresentation by the employees of the Engaging Party. Accordingly, we cannot accept responsibility for detecting fraud or misrepresentation by the employees of the Engaging Party.

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

Procedures Performed	Findings
1. We have reconciled the figures provided as inputs to the Commission model ("spreadsheet model with the filename LFC financial loss asset model August 2022 supplied by the Commission") back to the fixed asset register (Tax fixed asset register or accounting fixed asset register as per the "RAB Summary.xlsx" file received from management) and reported all differences for the following metrics: **a.** capital expenditure; **b.** asset value adjustments other than depreciation; **c.** end of financial year book value; **d.** end of financial year tax book value; **e.** accounting depreciation; and **f.** tax depreciation.	**1. a.** We received the "0. RAB Summary.xlsx" file from management and reconciled the figures provided as inputs to the "LFC inputs" tab rows 10 and 11 of the Commission model to the Tax FAR balances reported in the "Historic Tax Rec" tab of the "0. RAB Summary.xlsx" file. We identified the following differences rounded to the nearest thousand dollars, where a positive value represents a higher value in the Commission model: 1 December 2011: 1,000k 30 June 2012: 175k 30 June 2013: 12,840k 30 June 2014: (2,294)k 30 June 2015: (2,923)k 30 June 2016: 4,799k 30 June 2017: 88,933k 30 June 2018: (100,356)k 30 June 2019: 23,701k 30 June 2020: (18,117)k 30 June 2021: (13,170)k 31 December 2021: (7,509)k **b.** We received the "0. RAB Summary.xlsx" file from management and reconciled the figures provided as inputs to the Commission model, being deductions from the UFB value of net commissioned assets cash flow due to capital contributions as per the "2. Summary" tab of the "0. RAB Summary.xlsx" file, to the Accounting FAR balances reported in the "Historic Acc Rec" tab of the "0. RAB Summary.xlsx" file. We identified the following differences rounded to the nearest thousand dollars, where a positive value represents a higher value in the Commission model: 1 December 2011: No difference identified 30 June 2012: No difference identified 30 June 2013: No difference identified

Procedures Performed	Findings
	30 June 2014: No difference identified 30 June 2015: 467k 30 June 2016: 2,259k 30 June 2017: 2,818k 30 June 2018: 4,023k 30 June 2019: 2,426k 30 June 2020: 1,754k 30 June 2021: 1,799k 31 December 2021: 836k **c.** We received the "0. RAB Summary.xlsx" file from management and reconciled the figures provided as inputs to the Commission model, being the end of financial year roll-forward of the UFB asset values, to the Accounting FAR end of financial year book value balances reported in the "Historic Acc Rec" tab of the "0. RAB Summary.xlsx" file. We identified the following differences rounded to the nearest thousand dollars, where a positive value represents a higher value in the Commission model: 1 December 2011: 1,002k 30 June 2012: 1,075k 30 June 2013: 11,616k 30 June 2014: 6,746k 30 June 2015: 3,355k 30 June 2016: 7,999k 30 June 2017: 100,261k 30 June 2018: 30,887k 30 June 2019: 12,881k 30 June 2020: (20,530)k 30 June 2021: (19,189)k 31 December 2021: (14,541)k **d.** We received the "0. RAB Summary.xlsx" file from management and reconciled the figures provided as inputs to the Commission model, being the end of financial year roll-forward of the tax UFB asset values, to the Tax FAR end of financial year tax book value balances reported in the "Historic Tax Rec" tab of the "0. RAB Summary.xlsx" file. We identified the following differences rounded to the nearest thousand dollars, where a positive value represents a higher value in the Commission model: 1 December 2011: No difference identified 30 June 2012: No difference identified 30 June 2013: No difference identified

Procedures Performed	Findings
	30 June 2014: 1k 30 June 2015: 1k 30 June 2016: 1k 30 June 2017: 1k 30 June 2018: 1k 30 June 2019: 1k 30 June 2020: 1k 30 June 2021: 1k 31 December 2021: 1k **e.** We received the "0. RAB Summary.xlsx" file from management and reconciled the figures provided as inputs to the Commission model, being the depreciation (allocated), to the Accounting FAR depreciation reported in the "Historic Acc Rec" tab of the "0. RAB Summary.xlsx" file. We identified the following differences rounded to the nearest thousand dollars, where a positive value represents a higher value in the Commission model: 1 December 2011: (2)k 30 June 2012: (81)k 30 June 2013: 262k 30 June 2014: (631)k 30 June 2015: (1,998)k 30 June 2016: (3,504)k 30 June 2017: 3,748k 30 June 2018: 44,446k 30 June 2019: (1,790)k 30 June 2020: (1,820)k 30 June 2021: (1,865)k 31 December 2021: (1,277)k **f.** We received the "0. RAB Summary.xlsx" file from management and reconciled the figures provided as inputs to the Commission model, being the tax depreciation (allocated), to the Tax FAR depreciation reported in the "Historic Tax Rec" tab of the "0. RAB Summary.xlsx" file. We identified the following differences rounded to the nearest thousand dollars, where a positive value represents a higher value in the Commission model: 1 December 2011: (2)k 30 June 2012: No difference identified 30 June 2013: No difference identified 30 June 2014: No difference identified

Procedures Performed	Findings
	30 June 2015: No difference identified 30 June 2016: No difference identified 30 June 2017: No difference identified 30 June 2018: No difference identified 30 June 2019: No difference identified 30 June 2020: No difference identified 30 June 2021: No difference identified 31 December 2021: No difference identified
2. We have reconciled the figures provided as inputs to the Commission model (“spreadsheet model with the filename LFC financial loss asset model August 2022 supplied by the Commission”) back to Tuatahi First Fibre Limited’s financial accounting systems used to prepare general purpose financial statements (general ledger) and reported all differences for the following metrics: **a.** UFB operating expenditure cash flows; **b.** UFB revenue cash flow; and **c.** capital contributions originally accounted for as revenue under GAAP.	**2.** We received the "P&L Restated to June.xlsx" file from management which contained Tuatahi First Fibre Limited's monthly trial balances in the "full TB" tab and collated into 30 June financial years in the "restated for June YE" tab. Management stated that the monthly trial balances are representative of the general ledger used to prepare the general purpose financial statements. For metric a, UFB operating expenditure cash flows, management made deductions for Velocity expenses and stated the Velocity expenses were recorded in the general ledger. For metric b, UFB revenue cash flow, management made deductions for Velocity revenue and non-UFB town revenue and stated these deductions were recorded in the general ledger. We did not identify any differences for metrics a, b, and c.
3. As part of the reconciliation under procedure 2 above, we obtained a list ("Accruals Listing.xlsx"), as prepared by the Engaging Party’s management, and identified and reported the following items: **a.** any accruals valued at $1 million or more that are included in either or both of the operating costs inputs or revenue inputs; **b.** any non-cash items valued at $1 million or more that are included in either or both of	**3. a.** We report the items as follows, rounded to the nearest thousand dollars: In operating costs inputs: 30 June 2012: No such accruals identified 30 June 2013: No such accruals identified 30 June 2014: No such accruals identified 30 June 2015: No such accruals identified 30 June 2016: No such accruals identified 30 June 2017: No such accruals identified 30 June 2018: No such accruals identified 30 June 2019: Loan interest 3,351k 30 June 2020: Powerco pole costs 1,080k 30 June 2021: Powerco pole costs 1,243k 31 December 2021: No such accruals identified

Procedures Performed	Findings
the operating costs inputs or revenue inputs; and **c.** the cumulative net effect of accruals and non-cash items that are not included in 3a or 3b above.	In revenue inputs: 30 June 2012: No such accruals identified 30 June 2013: No such accruals identified 30 June 2014: No such accruals identified 30 June 2015: Deferred revenue 1,054k 30 June 2016: Deferred revenue 1,388k 30 June 2017: Deferred revenue 1,306k 30 June 2018: Deferred revenue 1,131k 30 June 2019: Deferred revenue 1,219k 30 June 2020: Deferred revenue 1,274k 30 June 2021: Deferred revenue 1,156k 31 December 2021: No such accruals identified **b.** Management stated that they have completed a review and there are no non-cash items valued at $1 million or more that are included in either or both of the operating costs inputs or revenue inputs, other than the accruals as reported in procedure 3a. As such, we have no items to report. **c.** Management stated that they have completed a review and there are no non-cash items that are not included in 3a or 3b above. As such, we have reported only the cumulative net effect of accruals that are not included in 3a or 3b above, rounded to the nearest thousand dollars: 30 June 2012: 70k 30 June 2013: 197k 30 June 2014: 1,055k 30 June 2015: 527k 30 June 2016: 56k 30 June 2017: (527)k 30 June 2018: 1,328k 30 June 2019: (1,864)k 30 June 2020: 6,067k 30 June 2021: (5,100)k 31 December 2021: 736k

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

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

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

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

Chartered Accountants

Christchurch, New Zealand