



ENABLE NETWORKS LIMITED

Summary of Enable Information – s221 Notice

9 December 2022

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1.0 Background

1.1 Introduction

This document lists the name of each file provided in response to the requirements set out in the S221 notice and a brief description of the information each file contains and show where the Commission can find the information provided by Enable in response to each requirement.

The financial information that Enable provides in response to this notice is for each financial loss year (i.e., from 1 December 2011 until 31 December 2021) and can be reconciled to Enable's audited and published financial accounts.

2.0 Initial RAB value of financial loss asset

2.1 UFB revenues cashflow

A13 - The UFB revenues cash flows are set out in Worksheet 13.1 (Rows B24:N30) of [A13 UFB revenues cash flow.xlsx](#) for each financial loss year by revenue class. The UFB revenue cashflow is calculated by adjusting the Revenue as disclosed in Com Com Information Disclosure (Rows B5:N13) adjusted by movements in Accounts Receivable and Income in Advance, to establish the UFB revenues cashflows.

A14 - Enable has no other revenue which are not directly attributable and as such has no other revenue to be allocated, therefore no allocators have been established.

A15 - Worksheet A13.1 (Rows B16:N22) of [A13 UFB revenues cash flow.xlsx](#) provides a reconciliation of the UFB revenues cash flow including capital contributions deductions) back to operating revenue according to service as disclosed in Enable's published general-purpose financial statements for each financial loss year and an explanation of all reconciling items. A16 - This reconciliation ties back to the Annual LFC Information Disclosure which excludes Capital Contributions from the UFB Gross telecommunications revenue. Capital contributions received by Enable Services Limited (**ESL**) is not included within the UFB revenue cash flows as this was never included within the Enable Networks Limited (**ENL**) revenues in the financial statements. An adjustment was made to the value of commissioned assets as outlined in Worksheet A29 (Row D11:N11 within [A26 Value of commissioned assets for UFB assets.xlsx](#)).

2.2 UFB operating expenditure cash flow

All operating costs are directly attributable to the provision UFB FFLAS, as such we have used the payments to suppliers and employees as per the statement of cash flows in the published general purpose financial statements.

Worksheet A17.1 of [A17 UFB operating costs cash flow.xlsx](#) sets out cash flow statements for the period 2011 to 2021 and reconciliation to the Annual Report Operating Expenses. With Worksheet A17.2 of [A17 UFB operating costs cash flow.xlsx](#) setting out cash flow statements for the period 2011 to 2021 aggregated according to expenditure categories

Worksheet A19 of [A17 UFB operating costs cash flow.xlsx](#) provide a reconciliation of operating costs to Enable's published general purpose financial statements.

2.3 UFB cost allocation adjustment cash flow

A21 - As all costs are exclusively incurred in relation to the provision of UFB services with no cost not directly attribution and therefore there is no cost allocation adjustment.

2.4 Present value benefit of crown financing

Worksheet A22 of [A22 PV of Crown Financing.xlsx](#) sets out the amount of Crown financing drawn down broken down by equity in substance or debt and any repayments.

The cashflows from financing activities has been used to establish the proportion of debt (A shares – liability component) and equity (capital contribution – equity component of ‘A’ and ‘B’ shares).

CFH A Shares were issued on the basis of premises passed @ \$[REDACTED]. The debt component is calculated by establishing the Net Present Value (NPV) of the shares that have been issued in the Quarter from a theoretical termination date in December 2019, which is used to transfer a principal component from CFH A Shares to liability (debt). Interest is then charged on this balance and accrued to the debt component, with the intention that the CFH A shares would have a zero balance in December 2019, enabling the loan to be repaid.

Crown Fibre Holding (CFH) A Shares:

The A shares held by CFH may be required to be repurchased by the Company (at a fixed price of \$1 per share) at any time during the concession period when notified to do so by ESL, provided that:

- Enable Services Limited funds the buy-back;
- certain solvency and debt covenant requirements are met; and
- if the build of the network is incomplete the buy-back would not result in CFH holding less than 51% of the total A shares on issue (in which case the buy-back is deferred until the build is complete).

This represents an unavoidable obligation of the Company to repurchase the A shares for cash, and accordingly

the A shares held by CFH represent a compound financial instrument. In determining the liability component, the Company has estimated the earliest possible date at which the Company would be required to buy-back the A shares, and discounted the repayment at that date to arrive at the amount to be recognised as a liability. The remainder is recognised as equity.

The A shares held by CFH are also required to be repurchased in the event of certain cost-savings as described below, however this is considered remote and has not impacted the measurement of the liability component of A shares held by CFH as described above.

Enable Services Limited (ESL) A shares:

The A shares held by ESL may also be required to be repurchased by the Company (at a fixed price of \$1 per share) at any time during the build period in the event that ESL returns certain cost-savings to the Company. The Company is required to use the refund to repay firstly certain debt instruments, and if any refund remains unused to use the remainder to buy-back firstly the A shares held by ESL, and secondly the A shares held by CFH. Whilst this represents an unavoidable obligation of the Company to repurchase A shares for cash, and therefore the A shares held by ESL also represent a compound financial instrument, the Company considers the likelihood of cost savings sufficient to repay all debt and then to begin repaying A shares to be remote and has not attributed any amount to the liability component.

Accordingly, all consideration for A shares from ESL has been recognised as equity.

Rights of A Shares

(a) Each A Share confers on the holder the rights set out below (in addition to any other rights set out in this Constitution):

- (i) the right to receive notice of, and attend, every meeting of the Shareholders;
- (ii) the right to vote at a meeting of the Shareholders on any resolution, including any resolution to:
 - (A) appoint or remove an auditor; or
 - (B) subject to clause 4.7 adopt or revoke a constitution of the Company; or
 - (C) subject to clause 4.7 alter the Company’s constitution; or
 - (D) approve a major transaction; or

- (E) approve an amalgamation of the Company under section 221 of the Act; or
 - (F) put the Company into liquidation; and
- (iii) subject to the rights of Shares which confer special rights as to surplus assets, the right to an equal share in the distribution of the surplus assets of the Company on a per Share basis.
- (b) The A Shares will not confer on the holders the right to any dividends authorised by the Board.

Rights of A Shares

- (a) Each B Share confers on the holder the rights set out below (in addition to any other rights set out in this Constitution):
- (i) the right to receive notice of, and attend, every meeting of the Shareholders;
 - (ii) subject to the rights of Shares which confer special rights as to surplus assets, the right to an equal share in the distribution of the surplus assets of the Company on a per Share basis; and
 - (iii) subject to the rights of Shares which confer special rights as to dividends, the right to an equal share in dividends authorised by the Board.
- (b) Other than voting at a Class meeting of holders of B Shares, the B Shares do not confer on the holders any right to vote at a meeting of the Shareholders on any resolution.

Conversion of A Shares and B Shares into Ordinary Shares

- (a) The Shareholder of the A Shares may at any time by written notice to the Company require the Company to convert each A Share into one Ordinary Share, with effect on the date specified by that Shareholder.
- (b) The Shareholder of the B Shares may at any time by written notice to the Company require the Company to convert each B Share into one Ordinary Share, with effect on the date specified by that Shareholder.

Liability component of A shares and Issued capital

A shares held by CFH contain a liability component.

As each stage of the deployment plan is completed by Enable Services Limited, Enable Networks Limited purchases the UFB network from the Enable Services Limited based on an agreed cost per premises passed (CPPP) for the number of premises passed by fibre optic cable upon successful user acceptance testing (UAT).

A Shares

CFH funds approximately 67% of the Company's purchase of each stage by way of subscribing to A shares (these shares carry full voting rights, with no dividend rights until 10 years from establishment (the end of the concession period), the price for which is the agreed CPPP. The remaining 33% of each stage is funded by ESL in return for A shares with the same rights as those issued to CFH.

The A shares issued to CFH are compound financial instruments as the partner has the option, at any time during the concession period, to purchase from CFH its A shares at \$1 per share, or alternatively the partner may instruct the Enable Networks Limited to repurchase the A shares from CFH, subject to certain conditions which are set out above.

The A shares held by CFH and ESL are also required to be repurchased in the event of certain cost-savings, however this is considered remote and has not impacted the amount attributed to equity.

At the end of the concession period, any remaining A shares convert to ordinary shares.

B Shares

Enable Services Limited is required to fund the cost to connect a premise and end customer (essentially fibre optic lead in from street), the electronics necessary to light the optical fibre and operational costs, and in return is issued either B shares or notes depending on certain funding criteria being met. B shares have the right to dividends, which may only be paid in accordance with the terms of the agreement. B shares issued to Enable Services Limited in exchange for certain vended network assets will convert to A shares, so long as this does not result in ESL holding greater than 49% of the total A shares on issue. At the end of the concession period, any remaining B shares convert to ordinary shares.

On 29 June 2016 CFH investment in ENL was sold to the Partner (ESL), and as consideration CFH had a loan receivable from CCHL. All financing therefore converted to debt.

2.5 Depreciation

Worksheet A24 of [A24 Depreciation of assets constructed or acquired during the financial loss period .xlsx](#) provides a list of the depreciation and any impairment losses recognised by Enable for each UFB asset with a UFB FFLAS commissioning date in the financial loss period aggregated by asset class for each financial loss year.

Worksheet Revaluations of [A24 Depreciation of assets constructed or acquired during the financial loss period .xlsx](#) ensures that any depreciation charge on revalued assets is excluded from the depreciation.

2.6 Depreciation adjustments in relation to capital contributions

Worksheet A25 of [A24 Depreciation of assets constructed or acquired during the financial loss period .xlsx](#) shows the workings to exclude the depreciation charge from the value of commissioned assets where Enable received capital contributions. The depreciation to be excluded has been calculated at a standard rate of 2% on the basis that the capital contributions were received to defray the civil costs of trenching for network extensions in greenfield areas.

2.7 Value of commissioned assets for UFB

Worksheet A26 of [A26 Value of commissioned assets for UFB assets .xlsx](#) provides the value of commissioned assets for each financial loss year aggregated according to asset classes. With Worksheet A28.1 providing the sum of accumulated depreciation for Property, Plant & Equipment and Worksheet A28.2 providing the sum of accumulated depreciation for Intangible Assets.

2.8 Capital contributions

Worksheet A29 of [A26 Value of commissioned assets for UFB assets .xlsx](#) provides the value of commissioned assets for each financial loss year aggregated according to asset classes. With Worksheet A28.1 providing the sum of accumulated depreciation. The Capital Contributions are not included in the UFB Revenue as per [Point 2.1](#).

2.9 Disposed assets

Worksheet A30 of [A26 Value of commissioned assets for UFB assets .xlsx](#) provides the sum of value of disposed assets for each financial loss year aggregated into asset classes.

2.10 Information regarding the valuation of specific asset types

The value of commissioned assets does not include any value for:

- Easements
- Network spares
- UFB assets acquired from another regulated provider
- UFB asset (or component of) acquired in a related party transaction

- Vested assets

2.11 Financial leases

A32 - Enable implemented NZ IFRS 16 in FY20 from the 1 July 2019. Prior to 1 July 2019 the annual lease payments were treated as operating expenses as per Minimum lease payments under operating leases.

From 1 July 2019 Enable treated all lease payments in line with NZ IFRS 16. The impact on operating costs from the change to capitalisation of the leases was a decrease of \$113k in total operating costs for the period since adoption. The depreciation of right of use assets is included in the Depreciation (allocated /unallocated) Asset-related inputs in Rows 17 & 18 of LFC inputs.

2.12 Identifiable non-monetary assets

The Right of Use Assets have been included as an adjustment to the Fixed Assets Worksheet 28.1 of [A26 Value of commissioned assets for UFB assets .xlsx](#). Software/IT assets have been included as a separate asset category within 26 Value of commissioned assets for UFB assets .xlsx.

2.13 Cost of financing

Enable did not capitalize any interest costs in the commissioning of assets.

2.14 Related party transactions for UFB assets

All assets acquired by Enable Networks Limited from Enable Services Limited were transacted on an arms-length basis., Capital expenditure incurred within ENL/ESL was on charged at cost. All construction activity was carried out by an independent sub contractor. The value of the completed work was then transferred from ESL to ENL at cost.

We believe this meets the definition of arm's length per the Determination as being fair and reasonable to ENL, and substantially the same as the cost that would be incurred by a third party.

2.15 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](#)

All Operating costs are 100% attributable to the provision of UFB FFLAS services, therefore no allocators have been used.

[Cost allocator types](#)

No allocators have been used.

[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 cost allocator values for each financial loss year](#)

2.16 Tax information

Worksheet A50 of [A50 Tax information .xlsx](#) provides UFB tax revenue and UFB tax operating expenditure for each financial year.

2.17 Regulatory tax asset value for UFB assets

All assets that are added to the UFB Asset Register are replicated in the Tax Fixed Asset Register with the exception of any revaluation movements (A53.3-5). The Tax Fixed Asset Register uses the depreciation rates as prescribed by Inland Revenue.

Table 1 outlines the tax depreciation methodology and tax depreciation rates by asset class.

Table 1: Tax depreciation rates

Asset Class	Asset Category	Diminishing Value %	Straight-Line %
Central Offices	Land		0.00%
	Buildings		1.50%
	Security		20.00%
	OFGF		8.30%
	Electrics		5.90%
	Fire Suppression		30.00%
	Solar Panels	16.00%	
	Auxiliary Power & Batteries		30.00%
CPPC L1	Fibre		8.50%
	Duct		3.00%
CPPC L2	Complex installations (MDU)		13.50%
	Standard installations (SDU)		13.50%
CPPP L1	Fibre		8.50%
	L1 Supporting Infrastructure		8.50%
	Duct		3.00%
CPPP L1 BA	Fibre		8.50%
	Duct		3.00%
CPPP L2	L2 Active Electronics		20.00%
EXIST	Fibre		8.50%
	L1 Supporting Infrastructure		8.50%
	Duct		3.00%
	L2 Active Electronics		13.50%
FF		16.00%	
IT		50.00%	
LH		10.00%	
MV		40.00%	
PE		8% to 67%	
SW		50.00%	

Worksheet A53.10 of [A50 Tax information .xlsx](#) provides roll-forward reconciliation between the sum of regulatory tax asset values at the commencement of the financial loss year and the sum of regulatory tax asset values at the end of the financial loss year, and the weighted average remaining tax life of assets employed by asset class.

2.18 Tax losses information

A54 – Row (B29:N29) of worksheet A50 of [A50 Tax information .xlsx](#) provides UFB tax losses roll-forward information. With Worksheet A53 of [A50 Tax information .xlsx](#) setting out details of Permanent and Temporary information.

2.19 Alternative methodologies for determining financial losses

No alternative methodologies have been required.

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

A summary of the initial RAB is as per Worksheet A28.1 of [A26 Value of commissioned assets for UFB assets.xlsx](#). As previously noted there is no requirements for allocation adjustments.

4.0 Summary Information

File Name	Brief Description
A13 UFB revenues cash flow.xlsx	Sets out UFB revenue cash flows and aggregated by revenue class
A17 UFB operating costs cash flow.xlsx	Sets out UFB operating cost cashflows
A22 PV benefit of Crown Financing .xlsx	Sets out the PV of Crown Financing
A24 Depreciation of assets constructed or acquired during the financial loss period.xlsx	Details of Depreciation charges
A26 Value of commissioned assets for UFB assets.xlsx	Details of Assets Commissioned
A50 Tax information.xlsx	Tax information