Delivering value to communities and businesses through connectedness and resilience

Northpower FIBRE

Annual report 2020

Northpower FIBRE

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Table of contents

Chair and Chief Executive report

This year has seen a sound performance, exceeding both our revenue targets and delivers our customers and communities with a seamless essential service during a time of crisis with the recent COVID-19 global pandemic. We have continued to connect Whangārei and the rural towns of the region to leading ultra-fast fibre broadband at pace and are on track to deliver our UFB2 programme by Christmas, one year ahead of schedule.

We have achieved an Earnings before interest, taxes, depreciation and amortization of $6.25 million. The uptake from rural towns has been highly successful, with highlights including Waipu at 65% and Hikurangi at 64% uptake. Whangārei also sees more customers taking on the benefits of ultra-fast broadband with 64% uptake.

We are delighted to continue enabling our local community to connect nationally and globally with world-class fibre connections at their doorstep. Our fibre network is an asset bringing tangible value to Northland and is key to the region's future growth and prosperity. Investment into developing the network has contributed towards creating a competitive robust infrastructure advantage, as you will see outlined in this report.

Local ownership means we live, work and play in the area we service, and it is satisfying to see all profits returned back to our local community to help make a true difference. Our customers are also our owners, and we put Northland first by re-investing our profits back into benefitting our region directly rather than going off-shore.

Our role in creating thriving, prosperous communities continues. This is evidenced through our support of Taitokerau Education Trust, which now has over 2,000 tamariki and 80 teachers participating in a digital immersion programme.

Over the years, we have built resilience and robustness into our network, anticipating a large-scale event where it may be tested. The essential nature of Northpower Fibre came to the fore during the recent COVID-19 pandemic lockdown. We are incredibly proud of the role our network played in seamlessly serving our community with minimal outages and downtime, despite considerable unprecedented website traffic during this time.

Our network enabled our customers and community to continue business and communications during this challenging time, such as keeping in touch with family and friends, and online shopping for essential supplies and entertainment. It also played a critical role in education, helping our local schools to continue educating online.

We would like to recognise the fabulous performance of our team during this time and their efforts and agile approach that ensured our network stood up to the stress placed on it. This experience has changed the way both we and our customers work, and we appreciate their support in navigating our 'new normal'.

Post-lockdown, we are continuing to monitor network performance, while building contingency and resilience into our operations through holding a minimum of six months' worth of spare parts and critical components in our stores.

Chair and Chief Executive report

We continue to innovate technically, providing great customer experience with our 'always on' network. Our electronic refresh with Calix technology was completed at the end of 2019, and automating of processes is ongoing, resulting in increased speed of fault restoration, with a shorter response time for our customers. New projects are underway investigating the next generation of hardware and WiFi Optical Network Terminals.

Our team continues to strengthen and they are highly skilled and passionate people. We were able to virtualise our business rapidly during the COVID-19 pandemic, thanks to ongoing automation allowing our teams to work from home, which also resulted in operational savings. This model facilitates a great combination of career and leadership pathway's utilising cutting edge and innovative product, blended with location independence and flexibility.

We also acknowledge the vital support of our shareholders, both Northpower Limited and Crown Infrastructure Partners, that continue to drive not only from a governance level but also from an operational excellence lense with expertise that is invaluable to the company.

Finally, we would like to thank our customers for their continued support of ultra-fast broadband across Whangārei and Kaipara. It is exciting to see the growth in uptake taking place across the region and the opportunity that provides for Northland customers to connect both locally and on the global stage. We look forward to continuing to provide a leading world-class fibre network that is a true asset.

Jo Brosnahan
Chair

Darren Mason
Chief Executive

Financially sustainable business

EBITDA (Earnings before interest, taxes, depreciation and amortization) for the year was $6.25 million, driven by strong connection growth and efficient business processes.

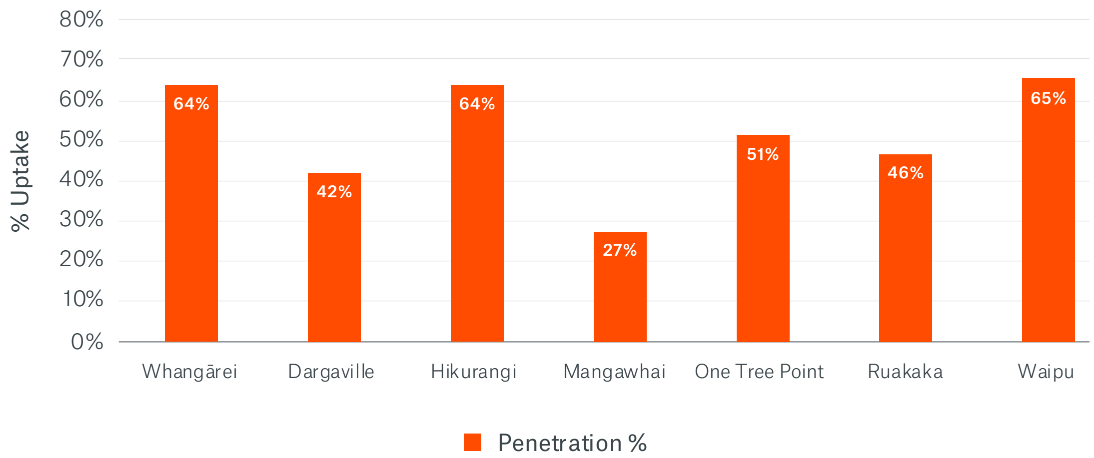
The NPAT (Net profit after tax) for the year was $2.66 million.

Our ultra-fast broadband (UFB) network is owned through a joint venture between Northpower and Crown Infrastructure Partners.

As at 30 June 2020, Northpower owned 70% of Northpower Fibre. The business has continued to perform well and provide a dividend stream to Northpower, while delivering world-class connectivity to customers.

With the help of debt funding from the Crown, we are completing extention of the ultra-fast broadband network to twelve rural towns within our region.

Current uptake as of June 2020



EBITDA $6.25m

NPAT $2.66m

1434
Net new connections UFB1

1577
Net new connections UFB2

99.99%
Network availability

Caring for and growing our people

Building our leading-edge network from the ground up

Andy Malcolm, our Fibre Optics Foreman is a great example of one of our people who is passionate about creating an outstanding ultra-fast fibre network for our region.

Andy has been on-board with us since 2009, and has been part of the original team that built our network from the ground up. Building the network hasn't been all plain sailing however, and Andy and the team have overcome many challenges along the way.

"We have had numerous major alterations and faults to our network due to cars or diggers hitting equipment," says Andy. "It is with pride I can say that our outages are always kept to a minimum thanks to good planning from all our teams."

Andy sees his role as helping to create a robust network that will service our communities for decades to come.

"With all the advances in technology and increasing demands of customers, it's good to know that Northpower Fibre's network is more than keeping pace."

High tech leadership meets Kiwi lifestyle

Northpower Fibre's Layer 2 (Technology) Manager Andreas Astrom - originally from Sweden - loves that he can combine a stellar tech career with a fantastic Northland lifestyle.

After completing his Master of Science Computer Engineering, Andreas joined a Swedish technology start-up that expanded into Europe and then moved across the world to New Zealand. He now manages the team of engineers operating our fibre network.

Andreas was instantly attracted to Northpower Fibre because of the people and opportunity available from a career and lifestyle perspective. "I love the people! I met the team in 2012 during a three-week consultancy job in Whangārei and the company culture stood out to me. I remember thinking, this is a business where I would like to work," he says. "I don't think there are many places in the world where you can work in a high tech environment like Northpower Fibre while having a beautiful lifestyle."

"We are building a very high spec and capable broadband infrastructure, together with a market leading overseas vendors, which I believe is creating a brighter future for Northland."

Andreas is also participating in the Leadership New Zealand programme for 2020, collaborating with other mid-career senior leaders from around the country.

"I am constantly challenged and the diversity of the group takes it to the next level. I am confident that this year will give me a stronger connection to myself and my purpose while also giving me better tools to navigate the leadership landscape of Aotearoa."

Caring for and growing our people

The 'new normal' way of working

The COVID-19 global pandemic has fast-tracked our plans to create a virtual office, enabling remote working for many of our people.

Our long-term strategy was to virtualise up to 80% of our workforce, however this was quickly fast-tracked during the recent Level 4 lockdown. With many of our systems now automated, we were rapidly and seamlessly able to extend our virtual operation using technology and cloud-based tools to operate remotely. Being virtual enables us to be more responsive in outage situations because the whole team can mobilise within minutes.

To aid this transition in working methods, we continue to clearly define outcomes, establish clear accountability and monitor and track performance. We will also continue to develop leadership, skills and talent, and offer opportunities for staff to extend their development. Our people are enjoying the benefits that flexible and remote working brings, while still providing an exceptional customer experience.

We continue to work on engaging purposefully as a business and we recognise that working remotely still needs to embrace social interactions regularly to ensure our culture remains strong.

Enabling network

Getting future ready

The latter half of 2019 saw the completion of replacing the electronic hardware servicing our UFB1 build in Whangārei. This saw our customers seamlessly moved onto the next generation of world-class equipment, meaning they can enjoy fast and reliable internet speeds - future ready for new demand.

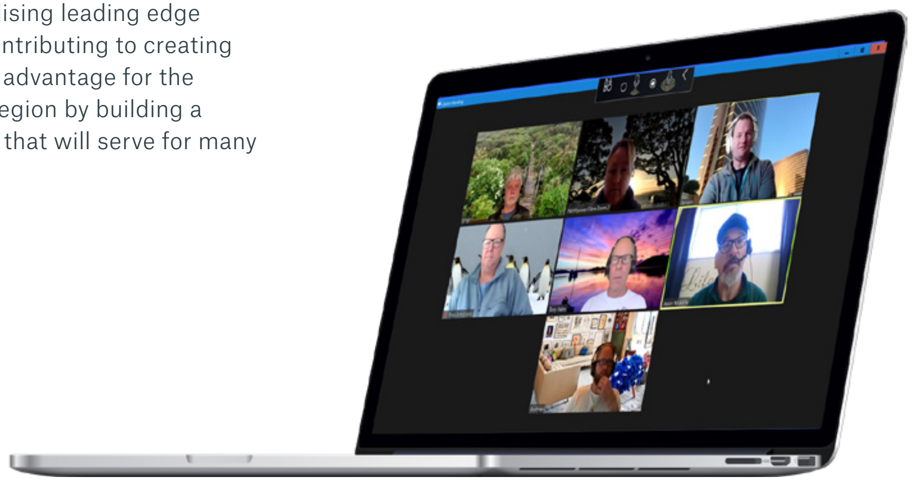
Northpower Fibre is the first fibre network in New Zealand to have upgraded its electronic hardware, and we are proud to have achieved the project with minimal disruption and outages to our customers.

We are proud to be investing in our network, ensuring it remains world-class by utilising leading edge technology. It is all part of contributing to creating opportunity and competitive advantage for the people and economy of our region by building a tangible infrastructure asset that will serve for many generations to come.

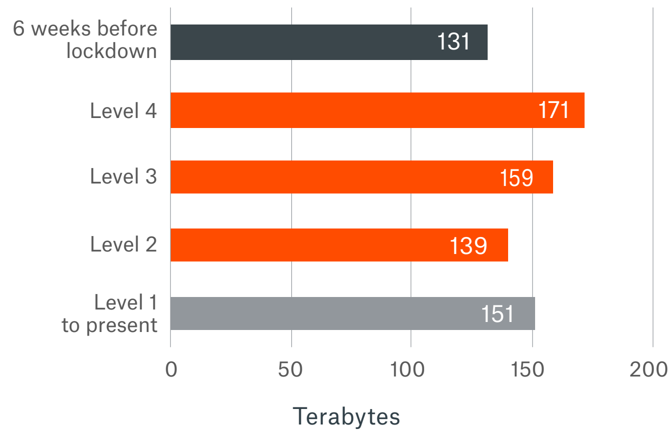
COVID-19 impacts on network

The recent global COVID-19 pandemic saw a large increase in traffic across our fibre network. With the country locked down and thousands of our customers needing reliable and seamless internet access, we are delighted with how our network stood up to the unprecedented challenges placed upon it, with minimal outages in the network during the lockdown.

Baseline data rate levels rose from 39.31 Gbps (gigabits per second equating to the bandwidth being used across our network), peaking at 50.60 Gbps during the Level 4 lockdown.



Average daily downloaded data



"During the COVID-19 lockdown our ultra-fast broadband network became more of an essential service and communication lifeline than ever", says Darren Mason, Northpower Fibre Chief Executive.

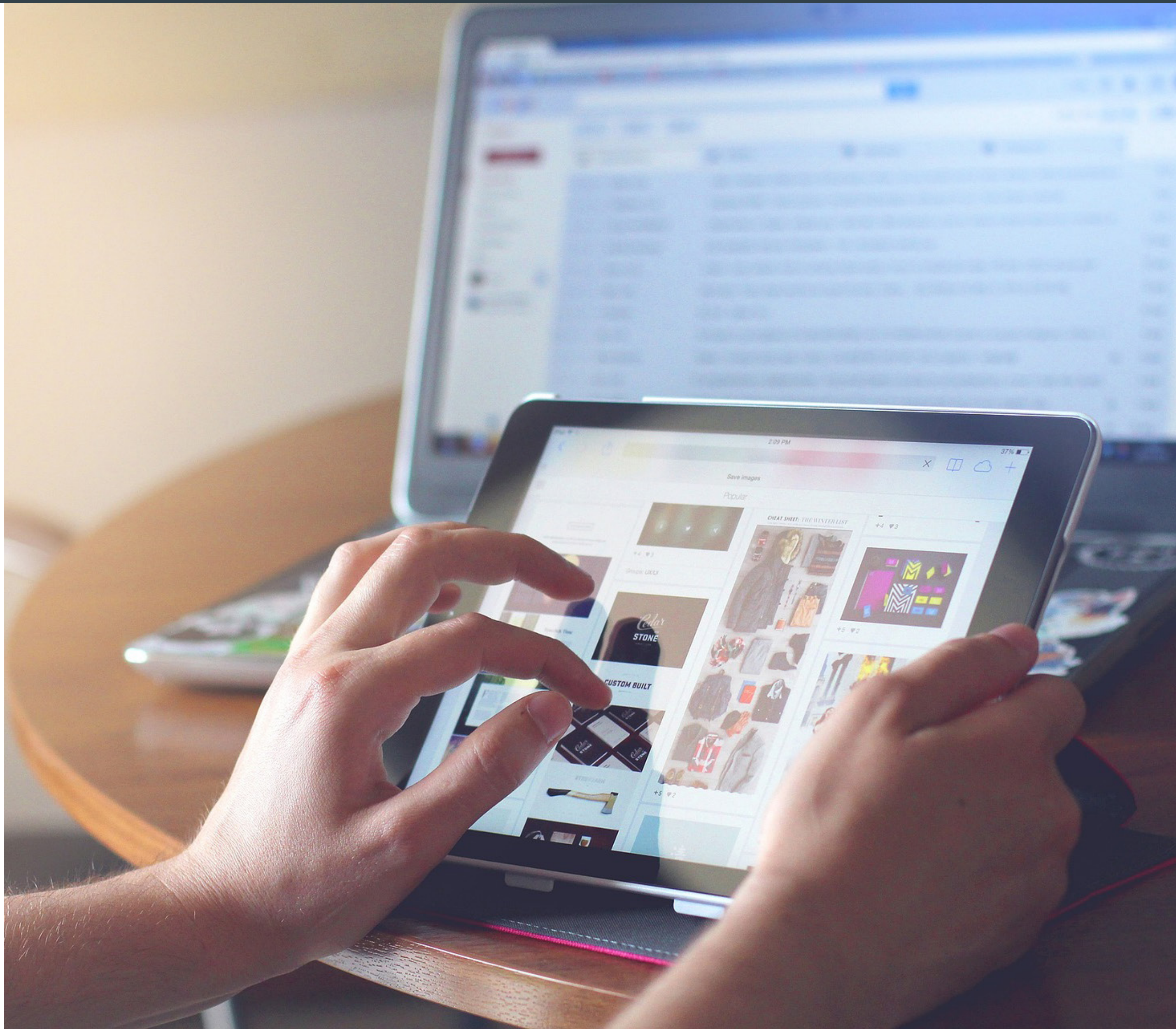
This equates to a 28% traffic increase across the network.

We're proud to have contributed such a tangible difference to our community's wellbeing and resilience during this crisis period.

Enabling network

“The investment we have made over the last ten years in constructing a robust, fit for purpose next generation fibre optic broadband network is incredibly valuable to the region, enabling our customers to continue seamless internet access for their business, education, and entertainment purposes.

It also facilitated critical online communication to take place, evidenced by the number of Zoom, Skype and Facetime calls made across our network.”



Innovate for customer outcomes

Kindred spirits share workspace

Flexible and remote working is growing in popularity and the rise of shared workplaces provides a space for participants to create, connect and focus.

Misty Sansom and Siobhan Reid, the entrepreneurs behind Kindred Coworking space in Mangawhai, realised that along with providing a contemporary welcoming space and great coffee, they needed a fast, reliable broadband connection to entice locals to the space.

Kindred Coworking utilises Northpower Fibre's ultra-fast broadband, which arrived in early 2020 to Mangawhai. It enables users to connect seamlessly and includes bandwidth capacity for video conferencing taking place on-site.

The space consists of individual desks along with "The Shed", a beautifully refurbished meeting room for up to eight situated in an orchard. Networking events, virtual memberships, workshops and meetups are all part of the offering at Kindred.

Providing the people of Mangawhai and surrounding areas with access to world-class broadband provides amazing opportunities for a lifestyle mix of living by the beach while working globally.

It's great to see entrepreneurial new business opportunities such as Kindred Coworking become a reality for our rural towns, enabling their local communities as we roll out the remainder of our UFB2 fibre network.

"Northpower Fibre has been integral for our business. As a coworking space, we have multiple freelancers, small businesses and employees foregoing the Auckland commute working from Kindred."

Darren Mason, Northpower Fibre Chief Executive with Misty Sansom, Co-founder of Kindred Coworking.

Innovate for customer outcomes

"All our members are very digital focused, and having fibre means that video conferences, large file uploads and downloads and streaming can happen simultaneously without interruption – essential for us!"

Thriving prosperous communities

Connecting Cadenshae to the world

A global e-commerce business selling activewear to mothers is among a growing number of Kiwi companies proving that regional living is no barrier to success.

One Tree Point residents Nikki and Adam Clarke are the owners of Cadenshae, a rapidly expanding online brand with a thriving 100,000+ strong social media community.

The company began when, as a new mother to daughter Caden, Nikki realised there was a massive gap in the market for functional, stylish clothes for breastfeeding mothers. So she and Adam set out to create a range that would not only help Nikki on her own breastfeeding journey but would also solve a problem for mothers worldwide.

With five websites serving markets in New Zealand, Australia, the UK, Canada and the US, it is a business that depends on having reliable and ready access to the internet.

"Once we expand, it's reassuring to know that we won't have to worry about our internet connection. For a business that does rely on being online, it has been great."

Ultra-fast broadband fosters rapid growth

Since launching in 2015 with just one staff member, the families business now employs 15 people and processes hundreds of orders daily at their One Tree Point office and next-door warehouse. They connected to fibre when they moved to One Tree Point in May 2017. "The team expanded at the same time but I'd hate to think how it would've been having 10 people competing for bandwidth on our former connection," says Nikki.

"We're doing a lot of stuff online all the time; we're answering questions on social, emails, and updating the website. Fibre allows the team to work at speed - it doesn't slow anything down - which makes us more efficient." Nikki says they have never had an issue with their fibre connection, which on any given day can have up to 30 devices connected. "It's one of those things that when it's working you don't notice. It just works, it's always working, which is the best possible outcome," she says.

She says the business covers a large area and the internet works in all parts of the buildings.

Steve Hayward Master Jeweller

Steve Hayward Master Jeweller – a boutique New Zealand made jewellery store – was the first business in Whangārei's town basin to connect to our ultra-fast fibre broadband network.

Steve crafts stunning bespoke jewellery from his workspace which is visible to the public. "Usually a jeweller's workspace is behind closed doors but our workshop is visible to the public, which is pretty unusual," says Steve.

But beyond the workshop, Steve's business operations are predominantly online. He uses EFTPOS in-store, cloud-based accounting software, and email to communicate with suppliers, quote and liaise with customers.

He moved from ADSL to fibre as soon as it became available in 2013 and has never looked back. He was also the second in his street to get fibre installed at home.

"The most noticeable improvements are in speed and stability. The router is being reset nowhere near as often as it used to be," says Steve. Having stable internet has been great for his EFTPOS facility as well, dramatically reducing the processing time of transactions.

A reduced internet bill was another bonus. "I moved to a local internet provider and made quite a saving moving to fibre," he says. "It's an obvious choice, having fast, stable internet."

"Everything is online and I depend on a strong and fast internet connection,"

Environmentally sustainable business

We have a long-term commitment to reducing our impact and operating an environmentally sustainable business.

A number of initiatives to make environmentally sustainable changes to our business are already underway. We have two EV's (electric vehicles) on our fleet, which have travelled over 40,000 kilometres in the past year.

With more of our people working virtually and from home offices, we have heavily reduced the volume of kilometres our fleet is travelling, lowering our vehicle emissions substantially.

We are proud to participate in a recycling programme for our expired computer hardware and print cartridges. This equipment is either dismantled and repurposed, or disposed of in an environmentally responsible manner.

This year we will undergo an environmental impact evaluation – looking closely at our operations and reviewing our carbon footprint. Following this, we will create an appropriate action plan to minimise our impact on the environment.

A healthy and sustainable environment is a key component in creating thriving, prosperous communities.

We recognise our responsibility in preserving our region's unique environmental assets for future generations to come.

Directors report

	30 June 2020 $000s	30 June 2019 $000s
Opening retained earnings	(9,668)	(8,455)
Operating surplus for the period	2,658	1,698
Dividends paid	(4,022)	(2,911)
Closing retained earnings	(11,032)	(9,668)

It is not proposed to make any transfers to reserves.

The primary objective of the company is to construct and operate an ultra-fast broadband network in the Whangārei area as part of the Government's commitment to roll out ultra-fast broadband in New Zealand.

As required by the Companies Act 1993, we disclosed the following information:

Directors holding office during the year

- Jo Brosnahan
- Graham Mitchell
- Kathryn Furness
- Josie Boyd
- Andrew McLeod

Directors interest

No directors held interests in the company during the period ended 30 June 2020.

The following entries are in the interest register for directors holding office during the period ended 30 June 2020.

JA Brosnahan, QSO

- Chair – Abilities Foundation
- Chair – Taitokerau Education Trust
- Chair – Rotorua Lakes District Council Audit & Risk Committee
- Chair – Northpower UFB2 Steering Committee
- Chair – Maritime NZ
- Chair – Harrison Grierson Limited
- Advisory Trustee – Leadership NZ
- Director – Personal Footprint Limited
- Trustee – Auckland Museum Trust
- Principal – Leaders for the Future
- Member, Advisory Board – Centre for Brain Research, Auckland University

Note: JA Brosnahan's daughter-in-law is disclosed as involved at Communications at Spark – (currently on maternity leave).

AI McLeod

- *Director – Northpower Solutions Limited
- Director – Northpower LFC2 Limited
- Shareholder – Vector Limited**
- Chief Executive – Northpower Limited
- Member – Northpower UFB2 Steering Committee

**Amalgamated with Northpower Limited on 31 August 2019.*

***Until 5 August 2019.*

JM Boyd

- Director – Northpower LFC2 Limited
- *Director – Northpower Solutions Limited
- General Manager Network – Northpower Limited
- Executive Committee – Electricity Engineers Association
- Member – Northpower UFB2 Steering Committee

**Amalgamated with Northpower Limited on 31 August 2019.*

GR Mitchell

- Chief Executive Officer – Crown Infrastructure Partners Limited
- Member – Chorus Steering Committee
- Member – Rural Connectivity Group Steering Committee

KA Furness

- Chief Legal and Risk Officer – Crown Infrastructure Partners Limited
- Member – Rural Connectivity Group Steering Committee

Directors report

Indemnities and insurance

Name of director	Particulars of indemnity or insurance
All directors of Northpower Fibre Limited and any other 'Indemnified Persons' (as defined by the term "Indemnified Person" in clause 1 of the Deed of Indemnification dated 14 February 2013).	Indemnities for costs in proceedings and for liabilities incurred pursuant to clauses 2 and 3 of the Deed of Indemnification dated 14 February 2013.
All directors of Northpower Fibre Limited.	D & O Insurance Policy pursuant to clause 28 of Northpower Fibre Limited's constitution and section 162(5) of the Companies Act 1993.

Indemnity

The company holds a current Professional Indemnity Insurance Policy.

Use of company information

The Board received no notices during the year from directors requesting to use company information received in their capacity as directors which would have not been otherwise available.

Share dealing

No director acquired or disposed of any interest in shares in the company during the period ended 30 June 2020.

Auditor

Audit New Zealand is appointed as Auditor in accordance with section 15 of the Public Audit Act 2001.

Auditor's remuneration

Total audit fees payable to Audit New Zealand for the audit of the 2020 financial statements totalled $37,824, the 2020 Commerce Commission Telecommunications Information Disclosures totalled $12,000 and the 2019 Telecommunications Development Levy (TDL) Information Disclosures totalled $3,000.

Statement of responsibility

1. The Board of Northpower Fibre Limited accept responsibility for the preparation of the annual financial statements and the judgements used in them.
2. The Board of Northpower Fibre Limited accepts responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting; and
3. In the opinion of the Board of Northpower Fibre Limited the annual financial statements for the period ended 30 June 2020 fairly reflect the financial position and operations of Northpower Fibre Limited.

Signed on behalf of the Board

Jo Brosnahan
Chairman
27 August 2020

Andrew McLeod
Director
27 August 2020

Independent Auditor's report

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

To the readers of Northpower Fibre Limited's financial statements for the year ended 30 June 2020

The Auditor-General is the auditor of Northpower Fibre Limited (the company). The Auditor-General has appointed me, Clarence Susan, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements of the company on his behalf.

Opinion

We have audited the financial statements of the company on pages 17 to 36,that comprise the balance sheet as at 30 June 2020, the statement of comprehensive income, statement of changes in equity and cash flow statement for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information.

In our opinion the financial statements of the company on pages 17 to 36:

- present fairly, in all material respects:
  - its financial position as at 30 June 2020; and
  - its financial performance and cash flows for the year then ended; and
- comply with generally accepted accounting practice in New Zealand in accordance with New Zealand equivalents to International Financial Reporting Standards with reduced disclosure requirements.

Our audit was completed on 27 August 2020. This is the date at which our opinion is expressed.

The basis for our opinion is explained below, and we draw your attention to the impact of Covid-19 on the company. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements, we comment on other information, and we explain our independence.

Emphasis of matter – Covid-19

Without modifying our opinion, we draw attention to note 20 to the financial statements, which explains the impact of the of the Covid-19 pandemic on the company.

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible on behalf of the company for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand.

The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible on behalf of the company for assessing the company's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to liquidate the company or to cease operations, or there is no realistic alternative but to do so.

The Board of Directors' responsibilities arise from Companies Act 1993.

Responsibilities of the auditor for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of these financial statements.

We did not evaluate the security and controls over the electronic publication of the financial statements.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Independent Auditor's report

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 1 to 2, but does not include the financial statements, and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

We are independent of the company in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

Other than the audit, we have no relationship with or interests in the company.

Clarence Susan
Audit New Zealand
On behalf of the Auditor-General
Tauranga, New Zealand

Statement of comprehensive income

	Notes	2020 $000s	2019 $000s
Revenue			
Revenue from contracts with customers	3	9,438	8,140
Other income		573	288
Interest income		21	33
Total income		10,032	8,461
Expenses			
Depreciation and amortisation	8 & 9	2,559	2,512
Management fee		475	455
Salaries and wages		1,257	1,193
Other expenses	4	2,049	1,942
Total expenses		6,340	6,102
Net profit before tax		3,692	2,359
Income tax expense	5	(1,034)	(661)
Net profit and total comprehensive income for the year		2,658	1,698

The above statement should be read in conjunction with the accompanying notes.

Statement of financial position

	Notes	2020 $000s	2019 $000s
Current assets			
Cash and cash equivalents	6	3,363	2,399
Trade and other receivables	7	1,241	1,615
Other current assets		194	132
Total current assets		4,798	4,146
Non-current assets			
Assets under construction		41	228
Intangible assets	8	79	66
Property, plant and equipment	9	44,437	43,446
Deferred tax	5	-	445
Total non-current assets		44,557	44,185
Total assets		49,355	48,331
Current liabilities			
Trade and other payables	10	1,814	2,450
Total current liabilities		1,814	2,450
Non current liabilities			
Deferred tax	5	588	-
Total non current liabilities		588	-
Total liabilities		2,402	2,450
Net assets		46,953	45,881
Equity			
Share capital	11	57,985	55,549
Retained earnings		(11,032)	(9,668)
Total equity		46,953	45,881

The above statement should be read in conjunction with the accompanying notes.

These financial statements are authorised for issue on 27 August 2020, for and on behalf of the Board:

Jo Brosnahan
Chairman
27 August 2020

Andrew McLeod
Director
27 August 2020

Statement of changes in equity

	Notes	Share capital	Retained earnings	Total equity
		Attributable to equity holders of the company		
		2020 $000s		
Balance as at 1 July 2019		55,549	(9,668)	45,881
Net profit for the year		-	2,658	2,658
Total comprehensive income for the year, net of tax		-	2,658	2,658
Transactions with owners				
Issue of share capital	11	2,436	-	2,436
Dividends paid/proposed	12	-	(4,022)	(4,022)
Balance as at 30 June 2020		57,985	(11,032)	46,953

	Notes	Share capital	Retained earnings	Total equity
		2019 $000s		
Balance as at 1 July 2018		52,347	(8,455)	43,892
Net profit for the year		-	1,698	1,698
Total comprehensive income for the year, net of tax		-	1,698	1,698
Transactions with owners				
Issue of share capital	11	3,202	-	3,202
Dividends paid/proposed	12	-	(2,911)	(2,911)
Balance as at 30 June 2019		55,549	(9,668)	45,881

The above statement should be read in conjunction with the accompanying notes.

Cash flow statement

	Notes	2020 $000s	2019 $000s
Cash flows from operating activities			
Receipts from customers		9,978	8,394
Interest received		21	33
GST paid		391	(172)
Payments to suppliers		(3,275)	(2,714)
Payments to employees		(1,215)	(1,104)
Net cash inflow from operating activities	13	5,900	4,437
Cash flows from investing activities			
Purchase of property, plant and equipment	14	(884)	(977)
Purchase of intangible assets		(30)	(68)
Net cash outflow from investing activities		(914)	(1,045)
Cash flows from financing activities			
Share capital		-	141
Dividends		(4,022)	(2,911)
Net cash outflow from financing activities		(4,022)	(2,770)
Net increase in cash and cash equivalents		964	622
Add cash and cash equivalents at the beginning of the year		2,399	1,777
Cash and cash equivalents at the end of the year		3,363	2,399

The above statement should be read in conjunction with the accompanying notes.

Accounting policies

1. General information

These are the financial statements of Northpower Fibre Limited ("the Company").

The financial statements comply with New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime (NZ IFRS RDR). The Company is eligible to report in accordance with NZ IFRS RDR on the basis that it does not have public accountability and is not a large for-profit public sector entity.

The financial statements have been prepared in accordance with the Companies Act 1993 and Generally Accepted Accounting Practice in New Zealand (NZ GAAP). For the purpose of complying with NZ GAAP, the Company has been designated as a profit-oriented entity.

The financial statements have been prepared on an historical cost basis.

The financial statements are presented in New Zealand dollars and all financial information has been rounded to the nearest thousand unless otherwise stated. The functional currency of the Company is New Zealand dollars (NZ$).

The significant accounting policies adopted for the preparation of the financial statements are specified below. These policies have been applied consistently to all periods presented, unless otherwise stated.

2. Summary of significant accounting policies

a) New accounting standards and interpretations

The accounting policies adopted are consistent with those of the prior year. There were no new applicable new accounting standards and interpretations for the Company for FY20.

b) Revenue recognition

Contracts with customers

I. Fibre telecommunication services

The company provides wholesale telecommunications services through its Ultra-Fast Fibre Optic Broadband (UFB) network. The performance obligations associated with connections is satisfied over time and for ancillary services when the service is delivered (at a point in time). Payment is generally due within 20 to 45 days from provision of the service. Revenue is recognised when the performance obligations are met.

II. Capital contributions

Capital contributions revenue represents third party contributions towards the construction of the Ultra-Fast Fibre Optic Broadband (UFB) network assets. Revenue is recognised when the asset is complete (at a point in time).

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

III. Interest income

Interest income is recognised as the interest accrues using the effective interest method.

c) Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when the entity becomes a party to the contractual provisions of the instrument.

All financial instruments are initially recognised at the fair value of the consideration received/transferred less, in the case of financial assets and liabilities not recorded at fair value through profit or loss, directly attributable transaction costs. Subsequently the Company applies the following accounting policies for financial instruments:

I. Financial assets at amortised cost

Financial assets at amortised cost consist of trade and other receivables and cash and cash equivalents.

Trade and other receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less they are classified as current assets, if not they are presented as non-current assets.

These amounts are initially measured at fair value and are subsequently measured at amortised cost using the effective interest rate method, less an allowance for impairment. Appropriate allowances for estimated irrecoverable amounts are recognised in the profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured at the difference between the assets carrying amount and the present value of estimated future cash flows discounted using the effective interest rate. Financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days and without arrangement) are considered indicators that the receivable is impaired.

Accounting policies

Cash and cash equivalents include cash on hand, deposits held at call with banks, and other short-term, highly liquid investments with original maturities of three months or less and which are subject to an insignificant risk of changes in value.

II. Impairment of financial assets

The Company always recognises lifetime ECL for trade receivables, amounts due from customers under construction contracts and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12 months' ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12 month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

III. Financial liabilities at amortised cost

Financial liabilities at amortised cost consist of trade and other payables.

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade payables are recognised initially at fair value and are subsequently measured using the effective interest rate (EIR) method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

d) Property, plant and equipment (PPE)

Fibre Optic Network assets are constructed by Northpower Limited and are acquired by the Company once each stage is complete, has passed user acceptance testing (UAT) and a certificate of practical completion has been issued. Fibre Optic Network assets are initially recognised at cost which is the contract average cost per premise passed as per the Network Infrastructure Project Agreement (NIPA). Subsequently, all property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses.

I. Initial cost

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, and the costs of dismantling and removing the items and restoring the sites on which they are located.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

II. Subsequent cost

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the entity and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the statement of comprehensive income as incurred.

III. Additions

The cost of an item of property, plant and equipment is recognised as an asset only when it is probable that future economic benefits or service potential associated with the item will flow to the company and the cost of the item can be measured reliably.

IV. Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are recognised in the statement of comprehensive income.

Accounting policies

V. Depreciation

Depreciation is recognised in the statement of comprehensive income on a straight-line basis over the estimated useful life of each part of an item of property, plant and equipment. The estimated useful lives of the fibre optic network assets is 5 – 40 years, buildings is 10 years and plant and equipment is 5 – 20 years.

The estimation of useful lives of assets has been based on industry experience as well as manufacturers' claims and warranties. The asset's residual value, method of depreciation and useful lives are reviewed, and adjusted if appropriate, at balance date.

VI. Impairment

Property, plant and equipment are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

The Company conducts an annual internal review of asset values which is used as a source of information to assess for any indicators of impairment. External factors such as changes in expected future processes and technology and economic conditions are also monitored to assess for indicators of impairment. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. There were no indicators of impairment in the current or comparative period; hence no impairment assessment has been performed. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). The impairment loss is recognised in the statement of comprehensive income. Non-financial assets that had suffered impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

e) Assets under construction

The cost of assets under construction is determined using the same principles as for acquired assets. Assets under construction are recognised at cost less impairment and are not depreciated. Advance payments made for the construction are recognised as an asset in the "work in progress" account. The assets under construction are reclassified to property, plant and equipment when their construction is completed and they become capable of operating in the manner intended by management.

f) Intangible assets

Intangible assets include software assets which have a finite useful life. These assets are initially measured at cost and are amortised over a period of expected future benefit of 5 – 10 years on a straight line basis. These assets are tested for impairment whenever there is indication that the intangible asset may be impaired.

g) Goods and services tax

These financial statements have been prepared on a GST-exclusive basis with the exception of accounts receivable and accounts payable, which are shown inclusive of GST.

Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense. The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the statement of financial position. The net GST paid to, or received from the IRD, including GST relating to investing and financing activities, is classified as a net operating cash flow in the statement of cash flow. Commitments and contingencies are disclosed exclusive of GST.

h) Taxation

Income tax expense recognised in profit or loss is the sum of current tax and deferred tax not recognised in other comprehensive income or directly in equity.

Current tax is the amount of income tax payable on the taxable profit for the current year. Current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted at balance date.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities and their tax. Deferred tax is measured at tax rates that are expected to apply when an asset is realised or a liability is settled, based on tax rates that have been enacted or substantively enacted at balance date.

Accounting policies

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the entity expects to recover or settle the carrying amounts of its assets and liabilities.

Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised.

i) Provisions

A provision is recognised for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that expenditure will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditure expected to be required to settle an obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised in finance costs.

j) Employee entitlements

Employee benefits that are due to be settled within 12 months after the end of the period in which the employee renders the related service are measured based on accrued entitlements at current rates of pay.

These include salaries and wages accrued up to balance date, annual leave earned but not yet taken at balance date.

k) Share capital (contributed equity)

The authorised and issued shares consist of A shares, B shares and a government share which are classified as equity. Incremental costs directly attributable to the issue of the new shares are shown in equity as a deduction, net of tax, from proceeds.

The company issues A shares to Crown Infrastructure Partners Limited (formerly Crown Fibre Holdings Limited) as capital funding of the fibre optic network assets once they have been constructed by Northpower Limited and certain conditions have been met.

When an end user connects to the fibre network, Northpower Limited is required to purchase an A share from Crown Infrastructure Partners Limited which is the A share recycling mechanism.

The cost of connecting a premise to the fibre network is incurred by Northpower Limited, who then sells the connection assets to Northpower Fibre Limited in return for B shares or cash in accordance with the contract.

The Company issues B shares to Northpower Limited as consideration for working capital and for expenditure on the communal fibre optic network electronic infrastructure (layer 2 assets).

The value of the consideration for the A shares and B shares is determined by the Shareholders' Agreement. The rights, preferences and restrictions attaching to each class of share are disclosed in Note 11.

Notes to the financial statements

		2020 $000s	2019 $000s
3	**Revenue from contracts with customers**		
	Revenue recognised at a point in time		
	Fibre telecommunication services	323	398
	Capital contributions	431	122
	Revenue recognised over time		
	Fibre telecommunication services	8,684	7,620
		9,438	8,140
4	**Other expenses**		
	Audit Fees		
	Audit of financial statements	38	31
	Audit of regulatory disclosures	12	12
	Audit of Telecommunications Development Levy (TDL) information disclosure	-	10
	Prior year under provision of TDL information disclosure	3	-
	Loss on disposal of assets	21	-
	Operations & maintenance	1,195	1,087
	Other	780	802
		2,049	1,942

Notes to the financial statements

		2020 $000s	2019 $000s
5	**Taxation**		
	Components of income tax expense		
	Current tax	-	-
	Deferred tax	(1,034)	(661)
	Losses not recognised	-	-
	Income tax expense	(1,034)	(661)
	Relationship between tax benefit and comprehensive income (expense)		
	Net profit before tax	3,692	2,359
	Tax at 28%	(1,034)	(661)
	Add (less) tax effect of:		
	Income tax expense	(1,034)	(661)

Notes to the financial statements

5 Taxation continued

Deferred tax asset (liability)	Property, plant & equipment	Employee entitlements	Provisions	Tax losses	Total
Opening balance 1 July 2019	(2,069)	48	19	2,447	445
Charged to profit or loss	(597)	9	(15)	(430)	(1,033)
Closing balance 30 June 2020	(2,666)	57	4	2,017	(588)

This balance comprises:	
Tax benefit of losses	2,017
Deferred tax asset (liability)	(2,605)
	(588)

The IRD have provided a non-binding indicative view in relation to carry forward of tax losses based on shareholder decision making rights. Although the matter is finely balanced, the Company considers that it is probable the IRD will accept the carry forward of the tax losses after the concession period.

The table below sets out tax effect of the tax losses expected to be utilised before and after the end of the concession period.

	$000s
Tax effect of the tax losses expected to be utilised before the end of the concession period:	550
Tax effect of the tax losses expected to be utilised after the end of the concession period:	1,467
Total tax effect of the tax losses	2,017

The company will assess the likelihood of whether tax losses will be utilised at the end of each financial year. Tax losses will be de-recognised if it is no longer probable that they will be utilised.

Notes to the financial statements

5 Taxation continued

Deferred tax asset (liability)	Property, plant & equipment	Employee entitlements	Provisions	Tax losses	Total
Opening balance 1 July 2018	(1,614)	29	43	2,648	1,106
Charged to profit or loss	(455)	19	(24)	(201)	(661)
Closing balance 30 June 2019	(2,069)	48	19	2,447	445

	2020 $000s	2019 $000s
6 Current asset - cash and cash equivalents		
Cash at bank	3,363	2,399
	3,363	2,399
7 Current assets - trade and other receivables		
Trade receivables	1,256	1,349
Less lifetime expected credit losses	(15)	(23)
	1,241	1,326
GST receivable	-	289
	1,241	1,615

Notes to the financial statements

		2020 $000s	2019 $000s
8	**Intangible assets**		
	Software		
	Cost		
	Opening balance	68	-
	Additions	31	68
		99	68
	Accumulated depreciation		
	Opening balance	2	-
	Amortisation	18	2
		20	2
	Net carrying value	79	66
9	**Property, plant and equipment**		
	Fibre optic network assets		
	Cost		
	Opening balance	55,681	51,416
	Transfers	-	(178)
	Disposals	(27)	-
	Additions	3,537	4,443
		59,191	55,681
	Accumulated depreciation		
	Opening balance	12,427	9,963
	Transfers	-	(10)
	Disposals	(6)	-
	Depreciation	2,501	2,474
		14,922	12,427
	Net carrying value	44,269	43,254

Notes to the financial statements

		2020 $000s	2019 $000s
9	**Property, plant and equipment continued**		
	Buildings		
	Cost		
	Opening balance	60	-
	Transfers	-	51
	Additions	-	9
		60	60
	Accumulated depreciation		
	Opening balance	14	-
	Transfers	-	8
	Depreciation	6	6
		20	14
	Net carrying value	40	46
	Plant and equipment		
	Cost		
	Opening balance	178	-
	Transfers	-	127
	Additions	16	51
		194	178
	Accumulated depreciation		
	Opening balance	32	-
	Transfers	-	2
	Depreciation	34	30
		66	32
	Net carrying value	128	146
	Total property, plant and equipment	44,437	43,446

There are no restrictions over the title of the plant and equipment, nor are any of the assets pledged as security for liabilities.

Notes to the financial statements

		2020 $000s	2019 $000s
10	**Trade and other payables**		
	Trade payables (GST inclusive)	457	324
	Accrued payables (GST exclusive)	206	1,002
	Employee entitlements		
	Holiday pay accrual	88	72
	Salary and bonus accrual	127	101
	Income in advance	833	951
	GST payable	103	-
		1,814	2,450
11	**Share capital**		
	(a) A shares		
	Crown Infrastructure Partners Limited		
	Opening balance	18,156	18,858
	Add: shares issued during the year	-	141
		18,156	18,999
	Less: 706,707 shares sold to Northpower Limited (2019: 843,492 shares)	(707)	(843)
	Total paid-up A shares held by Crown Infrastructure Partners Limited	17,449	18,156
	Northpower Limited		
	Opening balance	8,161	7,318
	Add: 706,707 shares purchased from Crown Infrastructure Partners Limited (2019: 843,492 shares)	707	843
	Total paid-up A shares held by Northpower Limited	8,868	8,161
	Total paid-up A shares	26,317	26,317

The A shares have voting rights but no ordinary rights to dividends.

Notes to the financial statements

		2020 $000s	2019 $000s
11	**Share capital continued**		
	(b) B shares		
	Opening balance	29,232	26,171
	Add: shares issued during the year	2,436	3,061
		31,668	29,232
	Less: unpaid shares	-	-
	Total paid-up B shares	31,668	29,232

The B shares are held by Northpower Limited, have no voting rights but carry ordinary rights to dividends.

	2020 $000s	2019 $000s
Total shares issued during the year	2,436	3,202
Total issued capital	57,985	55,549
Total paid-up capital	57,985	55,549

The above shares have no par value.

The Government owns one paid up share which carries regulatory rights. The share confers all rights to attend shareholder's meetings however carry no votes or rights at such meetings. The Government share does not confer the holder the right to participate in dividends declared by the Board, or the distribution of assets.

12 Dividends paid

Northpower Fibre Limited declared and paid dividends during the year of $1,322,000 in November 2019 and $2,700,000 in April 2020 (2019: $2,911,477).

Notes to the financial statements

		2020 $000s	2019 $000s
13	**Reconciliation with cash inflow from operating activities**		
	Reported net profit after taxation	2,658	1,698
	Add non-cash items:		
	Depreciation and amortisation	2,559	2,512
	Movements in tax benefit of losses	1,034	661
	Loss on sale of property, plant and equipment	21	-
	Movements in working capital:		
	Decrease in trade and other payables	311	294
	Decrease in trade and other receivables	(683)	(728)
	Net cash inflow from operating activities	5,900	4,437
14	**Reconciliation to statement of financial position**		
	Purchase of property, plant and equipment per statement of cash flow	884	977
	Prepayments transferred to property, plant and equipment	229	40
	Purchase of property, plant and equipment unpaid at year-end	4	425
	Purchase of property, plant and equipment paid for in shares	2,436	3,061
	Total additions per note 9	3,553	4,503
	Add opening balance	43,446	41,453
	Less disposals	(21)	-
	Less depreciation expense	(2,541)	2,510
	Property, plant and equipment per statement of financial position	44,437	43,446

Notes to the financial statements

15 Contingent liabilities

The Company has no contingent liabilities at balance date (2019: nil).

16 Lease commitments

The Company has no lease commitments at balance date (2019: nil).

17 Capital commitments

The Company entered into a contract to construct a fibre optic network in Whangarei.

The funding for the construction is provided by Crown Infrastructure Partners Limited and Northpower Limited.

The communal network was completed in May 2014. The remaining funding required within the contractual period for construction of end-user specific infrastructure is estimated at $1.369 million. (FY19 $2.969 million)

The contract period (concession period) ends in the 2021 financial year.

18 Related parties

(a) Transactions with related parties during the year

Crown Infrastructure Partners Limited owns only A shares in the Company. Other than share transactions there are no other related party transactions with Crown Infrastructure Partners Limited. Refer note 11 for share transaction movements.

Northpower Limited holds A and B shares in the Company. The fibre optic network is being constructed by Northpower Limited and once each stage is complete, tested and accepted the assets are transferred to the Company. Northpower Limited also provides operations, management and maintenance services to the Company for the operation of the fibre optic network and charges management fees for management services provided to the Company.

No related party debts were written off during 2020 or 2019.

Notes to the financial statements

18 Related parties continued

Income billed to Northpower as agent of the Company $116k (2019: $60k)
Income billed on behalf of Northpower LFC2 Limited $2,292k (2019: $1,052k)
Amount owed by Northpower LFC2 Ltd at 30 June 2020 $27k (2019: $122k)
Amount owed to Northpower LFC2 Ltd at 30 June 2020 $221k (2019: $109k)
Construction costs charged by Northpower $4,007k (2019: $4,027k)
Services other than construction charged by Northpower $3,207k (2019: $3,477k)
Amount owed by Northpower at 30 June 2020 $12k (2019: $3k)
Amount owed to Northpower at 30 June 2020 $235k (2019: $1,096k)
Capital account balance of Northpower at 30 June 2020 of $8,868k A shares (2019: $8,161k) and $31,668k of B shares (2019: $29,232k)
Capital contributions received from Crown Infrastructure Partners $0k (2019: $141k)
Capital account balance of Crown Infrastructure Partners at 30 June 2020 $17,449k (2019: $18,156k)

All amounts specified above are GST inclusive where applicable.

(b) Directors

The Board comprises two directors from each of the shareholding companies, Crown Infrastructure Partners Limited and Northpower Limited. Their names are GR Mitchell, AI McLeod, KA Furness and JM Boyd.

The independent director and chair is JA Brosnahan.

All of the directors were directors during the period ended 30 June 2020.

Notes to the financial statements

(c) Other transactions with directors and key management personnel or entities related to them

The company paid JA Brosnahan a director salary of $68,833 for the year (2019: $70,833)

The Chief Executive Officer received remuneration of $315,369 (2019: $302,127)

The following bands indicate the remuneration of all other employees.

Less than $100,000	1
$100,000 - $109,999	1
$110,000 - $119,999	2
$120,000 - $129,999	2
$130,000 - $139,999	1
$170,000 - $179,999	1

(d) Contractual arrangements with shareholders

During the 2011 financial year Crown Infrastructure Partners Limited entered into agreements with Northpower Limited to fulfil the Ultra-Fast Broadband (UFB) objective.

The agreements set out the key commercial terms of the relationship between Crown Infrastructure Partners Limited and this company. This includes Crown Infrastructure Partners Limited and Northpower Limited having shareholdings in the Company that will reflect the level of investment in the deployment of the UFB network in the Whangarei area.

19 Events post balance date

There were no significant events after balance date.

20 Covid-19 disclosures

The effect of Covid-19 on the overall results in FY20 was not material because of the very short period of the lockdown within this financial year. Further, due to increased use of internet during the lockdown and after, the Company's revenue has been higher than expected.

The first quarter of FY21 results were also higher than the budget. The forecast for the remaining year was adjusted for impact from Covid-19 and indicates a strong result.

Directors believe that any potential negative effects would likely be limited unless there is a sustained economic downturn, which has been predicted by some economic commentators. In that event, Directors believe the effect on the key elements in the financial statements would be:

- Minimal or no impact on the revenue based on the business plan/forecast prepared post Covid-19.
- Operating expenses are unlikely to change significantly. Potential effects could be higher bad debt costs however a majority of the income is received from large businesses, who themselves have protections. Other significant costs relate to subcontractor costs and employee benefits both of which are unlikely to be materially affected.
- Trade receivables are accounted at net realisable value and Directors believe that they will be fully recovered.
- No impairment to fibre optic network assets due to ongoing forecast revenue and profitability.

Northpower Fibre Limited

Chair

Jo Brosnahan

Directors

Graham Mitchell
Kathryn Furness
Josie Boyd
Andrew McLeod

Chief Executive

Darren Mason

Head Office
28 Mount Pleasant Road, Raumanga, Whangārei.

Auditors
Audit New Zealand, on behalf of the Auditor-General.

Registered Office
28 Mount Pleasant Road, Whangārei.