

# **Orcon Holdings Limited**

**(Formerly known as Vocus (New Zealand) Holdings Limited)**

**NZBN 9429030670518**

**Annual Report - 30 June 2021**

The Directors are pleased to present the annual report of Orcon Holdings Limited (formerly known as Vocus (New Zealand) Holdings Limited) incorporating the financial statements and auditor's report thereon, for the year ended 30 June 2021.

The shareholders of the Group have exercised their right under section 211 (3) of the Companies Act 1993 and unanimously agreed that this annual report need not comply with any of paragraphs (a), and (e) to (j) of section 211 (1) of the Act.


The annual report and financial statements presented on pages 3 to 45 are signed for and on behalf of the Board of Directors, and are authorised for issue on the date below.

On behalf of the Directors



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Mark Callander  
Director



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Nitesh Naidoo  
Director

29 September 2021  
Auckland

**Orcon Holdings Limited**  
**(Formerly known as Vocus (New Zealand) Holdings Limited)**  
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**30 June 2021**



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**Orcon Holdings Limited**  
**(Formerly known as Vocus (New Zealand) Holdings Limited)**  
**Statement of profit or loss and other comprehensive income**  
**For the year ended 30 June 2021**



	Note	Consolidated 2021 \$	2020 \$
<b>Revenue</b>	5	416,774,876	402,404,171
Other losses	6	(214,813)	(1,039,531)
Interest revenue calculated using the effective interest method		6,459	121,316
<b>Expenses</b>			
Network and service delivery	7	(265,075,216)	(265,452,911)
Employee benefits expense	7	(48,050,053)	(47,820,156)
Depreciation and amortisation expense		(30,145,703)	(27,920,341)
Administration and other expenses		(29,056,612)	(27,526,151)
Finance costs	7	(7,937,634)	(11,274,486)
<b>Profit before income tax expense</b>		36,301,304	21,491,911
Income tax expense	9	(10,782,803)	(6,173,664)
<b>Profit after income tax expense for the year attributable to the Owners of Orcon Holdings Limited</b>		25,518,501	15,318,247
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Net movement on hedging transactions, net of tax		34,876,031	2,815,567
Other comprehensive income for the year, net of tax		34,876,031	2,815,567
<b>Total comprehensive income for the year attributable to the Owners of Orcon Holdings Limited</b>		<u>60,394,532</u>	<u>18,133,814</u>
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	11	44.53	26.73
Diluted earnings per share	11	44.53	26.73

*The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes*

Orcon Holdings Limited  
(Formerly known as Vocus (New Zealand) Holdings Limited)  
Statement of financial position  
As at 30 June 2021



	Note	Consolidated 2021 \$	2020 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	12	4,893,257	22,655,998
Trade and other receivables	14	31,304,057	27,766,775
Inventories		989,129	843,759
Contract costs asset	15	5,019,661	3,849,390
Derivative financial instruments	16	29,342,631	5,916,672
Prepayments		1,819,767	2,347,085
Total current assets		<u>73,368,502</u>	<u>63,379,679</u>
<b>Non-current assets</b>			
Derivative financial instruments	17	28,731,558	-
Property, plant and equipment	18	133,123,373	131,979,478
Right-of-use assets	19	27,817,279	34,103,902
Intangibles	20	307,620,704	305,065,495
Contract costs asset	21	4,476,064	3,698,723
Deferred tax assets	22	14,362,018	15,034,197
Total non-current assets		<u>516,130,996</u>	<u>489,881,795</u>
<b>Total assets</b>		<u>589,499,498</u>	<u>553,261,474</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	24	46,635,541	51,531,152
Borrowing	25	76,712,327	10,266,440
Income tax	26	10,589,798	4,520,500
Provisions	27	3,596,013	2,583,599
Lease liabilities	28	2,072,360	2,046,201
Other liabilities	29	8,178,608	12,489,728
Total current liabilities		<u>147,784,647</u>	<u>83,437,620</u>
<b>Non-current liabilities</b>			
Borrowing	30	-	92,500,000
Deferred tax liabilities	23	39,478,946	28,389,356
Provisions		400,000	400,000
Lease liabilities	31	32,770,764	38,932,162
Other liabilities	32	1,072,675	1,194,402
Total non-current liabilities		<u>73,722,385</u>	<u>161,415,920</u>
<b>Total liabilities</b>		<u>221,507,032</u>	<u>244,853,540</u>
<b>Net assets</b>		<u>367,992,466</u>	<u>308,407,934</u>
<b>Equity</b>			
Issued capital	33	57,300,001	57,300,001
Reserves	34	231,639,569	197,573,538
Retained profits	35	79,052,896	53,534,395
<b>Total equity</b>		<u>367,992,466</u>	<u>308,407,934</u>

The above statement of financial position should be read in conjunction with the accompanying notes

Orcon Holdings Limited  
(Formerly known as Vocus (New Zealand) Holdings Limited)  
Statement of changes in equity  
For the year ended 30 June 2021



<b>Consolidated</b>	<b>Issued capital \$</b>	<b>Retained profits \$</b>	<b>Reserve \$</b>	<b>Total equity \$</b>
Balance at 1 July 2019	57,300,001	38,216,148	86,002,049	181,518,198
Profit after income tax expense for the year	-	15,318,247	-	15,318,247
Other comprehensive income for the year, net of tax	-	-	2,815,567	2,815,567
Total comprehensive income for the year	-	15,318,247	2,815,567	18,133,814
<i>Transactions with Owners in their capacity as Owners:</i>				
Share-based payments	-	-	810,000	810,000
Other reserves	-	-	107,945,922	107,945,922
Balance at 30 June 2020	<u>57,300,001</u>	<u>53,534,395</u>	<u>197,573,538</u>	<u>308,407,934</u>
<b>Consolidated</b>	<b>Issued capital \$</b>	<b>Retained profits \$</b>	<b>Reserve \$</b>	<b>Total equity \$</b>
Balance at 1 July 2020	57,300,001	53,534,395	197,573,538	308,407,934
Profit after income tax expense for the year	-	25,518,501	-	25,518,501
Other comprehensive income for the year, net of tax	-	-	34,876,031	34,876,031
Total comprehensive income for the year	-	25,518,501	34,876,031	60,394,532
<i>Transactions with Owners in their capacity as Owners:</i>				
Share-based payments	-	-	(810,000)	(810,000)
Balance at 30 June 2021	<u>57,300,001</u>	<u>79,052,896</u>	<u>231,639,569</u>	<u>367,992,466</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes

**Orcon Holdings Limited**  
**(Formerly known as Vocus (New Zealand) Holdings Limited)**  
**Statement of cash flows**  
**For the year ended 30 June 2021**



	Note	Consolidated 2021 \$	2020 \$
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		484,023,751	466,262,062
Payments to suppliers and employees (inclusive of GST)		<u>(431,058,017)</u>	<u>(396,127,311)</u>
		52,965,734	70,134,751
Interest received		3,901	64,485
Interest and other finance costs paid		(6,206,427)	(8,073,691)
Income taxes paid		<u>(6,447,426)</u>	<u>(4,322,026)</u>
Net cash from operating activities	13	<u>40,315,782</u>	<u>57,803,519</u>
<b>Cash flows from investing activities</b>			
Payment for purchase of subsidiary, net of cash acquired and acquisition costs	41	(163,915)	(7,965,059)
Payments for property, plant and equipment		(21,235,913)	(18,974,811)
Payments for intangible assets		<u>(9,010,059)</u>	<u>(8,310,978)</u>
Net cash used in investing activities		<u>(30,409,887)</u>	<u>(35,250,848)</u>
<b>Cash flows from financing activities</b>			
Repayment of borrowings		(25,500,000)	(17,500,000)
Repayment of principal portion of leases		<u>(2,168,636)</u>	<u>(2,047,976)</u>
Net cash used in financing activities		<u>(27,668,636)</u>	<u>(19,547,976)</u>
Net increase/(decrease) in cash and cash equivalents		(17,762,741)	3,004,695
Cash and cash equivalents at the beginning of the financial year		<u>22,655,998</u>	<u>19,651,303</u>
Cash and cash equivalents at the end of the financial year	12	<u>4,893,257</u>	<u>22,655,998</u>

*The above statement of cash flows should be read in conjunction with the accompanying notes*

## **Note 1. General information**

The financial statements cover Orcon Holdings Limited (formerly known as Vocus (New Zealand) Holdings Limited) as a Group consisting of Orcon Holdings Limited and the entities it controlled at the end of, or during, the year ('the Group'). The financial statements are presented in New Zealand dollars, which is Orcon Holdings Limited's functional and presentation currency.

Orcon Holdings Limited is a company limited by shares, incorporated and domiciled in New Zealand. Its registered office and principal place of business is:

Level 5  
34 Sale Street  
Auckland 1010

Orcon Holdings Limited is a vertically integrated telecommunications provider, operating in the New Zealand markets. Orcon Holdings Limited owns an extensive national infrastructure network of metro and back haul fibre connecting all capital cities and most regional centres across New Zealand.

Orcon Holdings Limited primarily provides telecommunications and energy services to customers across its mass market, corporate & wholesale and government channels.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 29 September 2021. The Directors have the power to amend and reissue the financial statements.

## **Note 2. Significant accounting policies**

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### **New or amended accounting standards and interpretations adopted**

The Group has adopted all of the new, revised or amending accounting standards and interpretations issued by the External Reporting Board ('XRB') that are mandatory for the current reporting period. The adoption of these Accounting standards and interpretations did not have any significant impact on the financial performance or position of the Group.

Any new, revised or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted by the Group for the annual reporting period ended 30 June 2021, which includes the following:

#### *Accounting for Software-as-a-Service arrangements ('SaaS')*

The Group has capitalised costs incurred in configuring or customising certain suppliers' application software in certain cloud computing arrangements as intangible assets as the Group considered that it would benefit from those costs to implement the cloud-based software over the expected terms of the cloud computing arrangements. Following the publication of IFRS Interpretations Committee (IFRIC) agenda decision on Configuration or Customisation Costs in a Cloud Computing Arrangement in March 2021 (ratified by the International Accounting Standards Board (IASB) in April 2021), the Group has commenced a review of these capitalised costs to determine whether they would need to be expensed or reclassified as prepayments. The IFRIC concluded that costs incurred in configuring or customising software in a cloud computing arrangement can be recognised as intangible assets only if the activities create an intangible asset that the entity controls and the intangible asset meets the recognition criteria. Costs that do not result in intangible assets are expensed as incurred unless they are paid to the suppliers (or subcontractors of the supplier) of the cloud-based software to significantly customise the cloud-based software for the Group. In the latter case, the costs paid upfront are recorded as prepayments for services and amortised over the expected terms of the cloud computing arrangements.

At the time of finalising the 30 June 2021 financial statements, the review was still in progress due to short timeframe of implementation from the effective date of the IFRIC agenda decision to the authorisation date of the financial statements.

The Group will complete a detailed assessment and implement the updated accounting policy in the next financial period.

## **Note 2. Significant accounting policies (continued)**

### **First time preparation of financial statements in accordance with NZ IFRS**

In the previous financial reporting periods, the Group prepared the financial statements in accordance with New Zealand equivalents to International Financial Reporting Standards Reduced Disclosure Regime ('NZ IFRS RDR').

In financial year ended 30 June 2021, the Group has elected to prepare general purpose financial statements for the financial year ended 30 June 2021 in accordance with the requirements of New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS').

The transition from NZ IFRS RDR to NZ IFRS has led to incremental disclosures being included throughout the financial statements for comparative information.

### **Going concern**

On 25 June 2021, the Supreme Court of New South Wales approved the Scheme of Arrangement (hereafter 'Scheme') to enable Voyage Australia Pty Limited (hereafter 'Voyage'), a company owned by a consortium comprising Macquarie Infrastructure and Real Assets ("MIRA") and its managed funds Aware Super Pty Ltd as trustee of Aware Super ("Aware") to acquire the Vocus Group Limited (the 'Parent Entity') and its subsidiaries ('Vocus Group'). This transaction was finalised subsequent to the balance date on 22 July 2021 (note 43).

As a result of the approval of the scheme, the Group's bank loan (\$67,000,000) was reclassified at year end to current liabilities, being the primary driver to cause current liabilities to exceed current assets by \$74,416,145 (2020: \$20,057,941). Post year end, the outstanding bank loan (note 25) was repaid in full by Voyage, and replaced with a new facility.

The Directors are satisfied that the Group will be able to meet all its obligations as they fall due given its strong profitability and operating cash flows, existing cash reserves and access to Voyage's available financing facilities.

### **Reclassification of comparatives**

Certain comparative information has been reclassified to conform with the current year's presentation.

### **Basis of preparation**

#### *Statutory base*

Orcon Holdings Limited is a Company registered under the New Zealand Companies Act 1993. The consolidated financial statements have been prepared in accordance with the Financial Reporting Act 2013 and the Companies Act 1993.

#### *Statement of compliance*

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'). Orcon Holdings Limited is a for-profit entity. They comply with NZ IFRS and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. The financial statements also comply with International Financial Reporting Standards ('IFRS').

#### *Historical cost convention*

The financial statements have been prepared under the historical cost convention, except for the revaluation of derivative financial instruments at fair value.

#### *Critical accounting estimates*

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

## Note 2. Significant accounting policies (continued)

### Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Orcon Holdings Limited ('the Company') as at 30 June 2021 and the results of all subsidiaries for the year then ended. Orcon Holdings Limited and its subsidiaries together are referred to in these financial statements as the 'the Group'.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the Parent.

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

### Foreign currency translation

The financial statements are presented in New Zealand dollars, which is Orcon Holdings Limited's functional and presentation currency.

#### *Foreign currency transactions*

Foreign currency transactions are translated into New Zealand dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

### Revenue recognition

Revenue is recognised at an amount that reflects the consideration to which the Group expects to be entitled in exchange for transferring products or services to a customer. The Group recognises revenue when it transfers control over a product or service to a customer. Where services have been billed in advance and the performance obligations to transfer the services to the customer have not been satisfied, the consideration received will be recognised as a liability until such time when or as those performance obligations are met and revenue is recognised.

The Group's customer contracts may include multiple performance obligations (bundled products) over a long period. In these cases, the Group allocated the transaction price to each performance obligation based on the relative stand-alone selling prices of each distinct service. Stand-alone selling prices are determined based on prices charged to customers for individual products and services taking into consideration the size and length of contracts and Group's overall go to market strategy.

The Group applies the practical expedient in that it does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

## Note 2. Significant accounting policies (continued)

The Group has identified the following main revenue categories:

### *Data services, voice and mobile*

Revenue is recognised by providing data, voice & mobile services over a contracted period. Consideration is recorded and deferred when it is received which is typically at the time of entering the contract and revenue is recognised over the time the customer receives and consumes the benefits of the service provided. The measurement of progress in satisfying this performance obligation is based on the passage of time. The amount of revenue recognised is based on the amount of the transaction price allocated to this performance obligation.

### *Data centre, cloud & security*

Revenue is recognised by providing data centre, cloud & security services over a contracted period. Revenue is recognised over the time the customer receives and consumes the benefits of the service provided. The measurement of progress in satisfying this performance obligation is based on the passage of time. The amount of revenue recognised is based on the amount of the transaction price allocated to this performance obligation.

### *Power*

Revenue is recognised by providing power (electricity and gas) services over a contracted period. Revenue is recognised once the electricity and/or gas is delivered to the customer and they consume the benefits. The electricity and/or gas delivered is measured mainly through smart meters which provide easily available real time usage metrics. For customers who do not have smart meters regular meter readings and estimates are used for the relevant billing period. The amount of revenue recognised is based on the amount of the transaction price allocated to this performance obligation.

### *Indefeasible right to use (IRU)*

The Company has entered into certain indefeasible right to use (IRU) agreements. An IRU is a right to use a specified amount of capacity for a specific time period that cannot be revoked or voided. Such agreements are accounted for either as lease or service transactions.

Those IRU agreements that provide the lessee with the exclusive right to use one or more specified fibre(s) are accounted for as lease transactions. Other IRU's are accounted for as service agreements.

IRU agreements that transfer substantially all the risks and rewards of ownership to the lessee are classified as a finance lease.

Revenue from finance leases is recognised in the period that the IRU's are transferred and the fibre is available for use. The carrying value of the sold fibre(s) is accordingly recognised as costs of goods sold.

Revenue from service contracts are recognised over the term of the agreement. Amounts received in excess of revenue recognised are recorded as income in advance in the balance sheet.

Operation and maintenance revenues are recognised upon performance of services.

### *Interest*

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

### *Other revenue*

Other revenue is recognised when it is received or when the right to receive payment is established.

## Note 2. Significant accounting policies (continued)

### Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

### Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

### Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### Trade and other receivables

Trade and other receivables are recognised in accordance with the policy set out in note 14.

### Inventories

Stock on hand is stated at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

## Note 2. Significant accounting policies (continued)

### Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Derivatives are classified as current or non-current depending on the expected period of realisation.

#### *Cash flow hedges*

Cash flow hedges are used to cover the Group's exposure to variability in cash flows that is attributable to particular risks associated with a recognised asset or liability or a firm commitment which could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income through the cash flow hedges reserve in equity, whilst the ineffective portion is recognised in profit or loss. Amounts taken to equity are transferred out of equity and included in the measurement of the hedged transaction when the forecast transaction occurs.

Cash flow hedges are tested for effectiveness on a regular basis both retrospectively and prospectively to ensure that each hedge is highly effective and continues to be designated as a cash flow hedge. If the forecast transaction is no longer expected to occur, the amounts recognised in equity are transferred to profit or loss.

If the hedging instrument is sold, terminated, expires, exercised without replacement or rollover, or if the hedge becomes ineffective and is no longer a designated hedge, the amounts previously recognised in equity remain in equity until the forecast transaction occurs.

### Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

#### *Financial assets at amortised cost*

A financial asset is measured at amortised cost only if both of the following conditions are met: (i) it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and (ii) the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

#### *Financial assets at fair value through profit or loss*

Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

#### *Impairment of financial assets at amortised cost*

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

## Note 2. Significant accounting policies (continued)

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets mandatorily measured at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income with a corresponding expense through profit or loss. In all other cases, the loss allowance reduces the asset's carrying value with a corresponding expense through profit or loss.

### Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment over their expected useful lives as follows:

Fibre assets	10-50 years
Network equipment	2-8 years
Data centre	5-15 years
Plant and equipment	3-5 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Plant and equipment and network equipment under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

### Leases

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate. Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

## Note 2. Significant accounting policies (continued)

The lease liability is presented as a separate line in the Statement of Financial Position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group has remeasured the lease liability for one of the lease during the period presented. Further details are set out in note 19.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the Statement of Financial Position.

The Group applies NZ IAS 36 *Impairment of Assets* to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Impairment of non-financial assets' policy below.

### Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

### Goodwill

Goodwill arises on the acquisition of a business. Goodwill is not amortised and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

### Software

Significant costs associated with software are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 3 to 8 years.

## Note 2. Significant accounting policies (continued)

### *Indefeasible Right to Use (IRU)*

Indefeasible right to use capacity are brought to account as intangible assets at cost, being the present value of the future cash flows payable for the right. Costs associated with IRU's are deferred and amortised on a straight-line basis over the period of their expected benefit.

### *Other intangibles*

Other intangibles are amortised on a straight-line basis over the period of their expected benefit.

### **Impairment of non-financial assets**

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are assessed annually for indicators of impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

### **Trade and other payables**

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

### **Borrowings**

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

### **Finance costs**

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

### **Provisions**

Provisions are recognised when the Group has a present (legal or constructive) obligation as a result of a past event, it is probable the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

### **Employee benefits**

#### *Short-term employee benefits*

Liabilities for wages and salaries and other employee benefits expected to be settled within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

#### *Share-based payments*

As a result of the approval of the Scheme (note 2), the equity settled share-based compensation benefits provided to employees was converted to cash-settled compensation benefits and reclassified to employee long term incentives (note 24 & note 32).

## Note 2. Significant accounting policies (continued)

### *Accounting policy for share-based payments prior to the reclassification*

Equity-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

### *Accounting policy for share-based payments after the reclassification*

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At each reporting date until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year.

### **Fair value measurement**

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

### **Issued capital**

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

## Note 2. Significant accounting policies (continued)

### Earnings per share

#### *Basic earnings per share*

Basic earnings per share is calculated by dividing the profit attributable to the Owners of Orcon Holdings Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

#### *Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

### Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case, it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

## Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

#### *Goodwill and other indefinite life intangible assets (note 20)*

The Group assesses annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have shown any indication of impairment, in accordance with the accounting policy stated in Note 2. Where an impairment test is required, the recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows. Further details of the key judgements and estimates are set out in note 20.

#### *Fair value measurement of financial instruments classified under level 3 (note 37)*

The fair value of derivative financial instruments that are not traded on an active market is determined by using valuation methodologies and assumptions that are based on market conditions existing at the valuation date. For details of the key assumptions used and the impact of changes to these assumptions see note 37 below.

## Note 4. Operating segments

### Reporting segments

Segment information is based on the information that management uses to make decisions about operating matters and allows users to review operations through the eyes of management. Operating segments represent the information reported to the Chief Operating Decision Makers ('CODM'), being the Group's Chief Executive Officer ('CEO') & Chief Financial Officer ('CFO'), for the purposes of resource allocation and assessment of Group's performance.

The Group has determined that it operates in one segment providing telecommunications and power services to customers. The determination is based on the reports reviewed by the CEO & CFO in assessing performance, allocating resources and making strategic decisions.

All Group's operations are provided in New Zealand, therefore no geographic information is provided.

### Major customers

During the year ended 30 June 2021, there were no customers of the Group which contributed 10% or more of external revenue (2020: Nil)

## Note 5. Revenue

The disaggregation of revenue from contracts with customers is as follows:

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Data services	249,209,916	243,527,800
Data centre, cloud & security	6,950,069	6,929,321
Voice	52,633,338	55,852,109
Mobile	12,058,761	11,204,740
Power	85,379,640	75,490,563
Other	10,543,152	9,399,638
	<u>416,774,876</u>	<u>402,404,171</u>

### Revenue received in advance (note 29 & note 32)

Set out below are summaries of the revenue received in advance movements for the year:

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
<i>Current revenue received in advance:</i>		
Opening balance	11,751,589	10,538,355
Additions	141,415,845	139,467,533
Transfer from non-current	199,226	199,226
Unwind	<u>(145,513,123)</u>	<u>(138,453,525)</u>
Closing balance	<u>7,853,537</u>	<u>11,751,589</u>

**Note 5. Revenue (continued)**

	<b>Consolidated 2021</b>	<b>2020</b>
<i>Non-current revenue received in advance:</i>		
Opening balance	884,874	1,084,100
Transfer to current	<u>(199,226)</u>	<u>(199,226)</u>
Closing balance	<u><u>685,648</u></u>	<u><u>884,874</u></u>

**Note 6. Other losses**

	<b>Consolidated 2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Net foreign currency gains	179,705	183,997
Other losses	<u>(394,518)</u>	<u>(1,223,528)</u>
Other losses	<u><u>(214,813)</u></u>	<u><u>(1,039,531)</u></u>

**Note 7. Expenses**

	<b>Consolidated 2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Profit before income tax includes the following specific expenses:		
<i>Network and service delivery</i>		
(Gains) / losses on financial instruments carried at fair value through profit and loss	<u>(3,653,243)</u>	<u>6,136,271</u>
<i>Finance costs</i>		
Interest and finance charges paid/payable on borrowings	<u>7,937,634</u>	<u>11,274,486</u>
<i>Employee benefits expense</i>		
Defined contribution plan expense	1,297,647	1,263,934
Employee benefits expense	<u>46,752,406</u>	<u>46,556,222</u>
Total employee benefits expense	<u><u>48,050,053</u></u>	<u><u>47,820,156</u></u>

#### Note 8. Auditor's remuneration

During the financial year the following fees were paid or payable for services provided by PricewaterhouseCoopers, the auditor of the Company:

	Consolidated 2021 \$	2020 \$
<i>Audit services - PricewaterhouseCoopers</i>		
Audit of the financial statements	-	-
<i>Other services - PricewaterhouseCoopers</i>		
Financial due diligence	414,000	-
	<u>414,000</u>	<u>-</u>

The audit fee was borne by the parent company.

#### Note 9. Income tax expense

	Consolidated 2021 \$	2020 \$
<i>Income tax expense</i>		
Current tax	12,358,437	4,783,939
Deferred tax - origination and reversal of temporary differences	(1,729,795)	1,504,323
Adjustment recognised for prior periods	154,161	(114,598)
Aggregate income tax expense	<u>10,782,803</u>	<u>6,173,664</u>
Deferred tax included in income tax expense comprises:		
Decrease/(increase) in deferred tax assets (note 22)	672,179	(11,549,908)
Increase/(decrease) in deferred tax liabilities (note 23)	(2,401,974)	13,054,231
Deferred tax - origination and reversal of temporary differences	<u>(1,729,795)</u>	<u>1,504,323</u>
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Profit before income tax expense	36,301,304	21,491,911
Tax at the statutory tax rate of 28%	10,164,365	6,017,735
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Entertainment expenses	26,363	43,573
Fines and penalties	806	-
Transaction costs	411,904	-
Share-based payments	25,204	226,800
Sundry items	-	154
Adjustment recognised for prior periods	154,161	(114,598)
Income tax expense	<u>10,782,803</u>	<u>6,173,664</u>

**Note 9. Income tax expense (continued)**

	<b>Consolidated 2021 \$</b>	<b>2020 \$</b>
<i>Amounts charged/(credited) directly to equity</i>		
Deferred tax liabilities (note 23)	13,491,564	(721,648)

**Note 10. Imputation credit account**

	<b>Consolidated 2021 \$</b>	<b>2020 \$</b>
Imputation credits available at the reporting date based on a tax rate of 28%	22,141,783	15,680,947
Imputation credits available for subsequent financial years based on a tax rate of 28%	<u>22,141,783</u>	<u>15,680,947</u>

**Note 11. Earnings per share**

	<b>Consolidated 2021 \$</b>	<b>2020 \$</b>
Profit after income tax	25,518,501	15,318,247
Profit after income tax attributable to the Owners of Orcon Holdings Limited	<u>25,518,501</u>	<u>15,318,247</u>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	57,300,001	57,300,001
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>57,300,001</u>	<u>57,300,001</u>
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	44.53	26.73
Diluted earnings per share	44.53	26.73

**Note 12. Current assets - Cash and cash equivalents**

	<b>Consolidated 2021 \$</b>	<b>2020 \$</b>
Cash at bank	<u>4,893,257</u>	<u>22,655,998</u>

**Note 13. Reconciliation of profit after income tax to net cash from operating activities**

	<b>Consolidated</b>	<b>Consolidated</b>
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Profit after income tax expense for the year	25,518,501	15,318,247
Adjustments for:		
Depreciation and amortisation	30,145,703	27,920,341
Share-based payments	1,102,516	810,000
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	(3,537,281)	3,497,265
Decrease/(increase) in inventories	(145,372)	114,486
Decrease in prepayments	527,318	986,277
Movement in derivatives	(17,954,282)	2,536,849
Movement in tax balances	17,831,067	786,345
Decrease/(increase) in trade and other payables	(8,477,134)	7,417,147
Increase in contract cost asset	(1,947,612)	(2,085,144)
(Decrease)/Increase in other liabilities	(3,760,056)	1,108,891
Increase/(decrease) in provisions	1,012,414	(607,185)
Net cash from operating activities	<u>40,315,782</u>	<u>57,803,519</u>

**Note 14. Current assets - Trade and other receivables**

	<b>Consolidated</b>	<b>Consolidated</b>
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Trade receivables	14,391,316	26,607,867
Accrued revenue	8,004,126	5,678,158
Less: Allowance for expected credit losses	<u>(3,733,796)</u>	<u>(3,035,028)</u>
	18,661,646	29,250,997
Other receivables	12,444,265	77,067
Goods and services tax refundable/(payable)	<u>198,146</u>	<u>(1,561,289)</u>
	<u>31,304,057</u>	<u>27,766,775</u>

*Impairment of receivables*

An expense of \$3,529,722 (2020: \$4,772,021) in profit or loss in respect of impairment of receivables for the financial year ended 30 June 2021.

The Group applies the NZ IFRS 9 simplified approach to measure expected credit loss ("ECL") which uses a lifetime expected loss allowance for all trade receivables and accrued revenue.

To measure the ECL, trade receivables and accrued revenue have been grouped based on shared credit risk characteristics and the days past due. The accrued revenue relates to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts.

The expected loss rates are calculated based on the rate of historical credit loss over sales for a period of 12 months before 30 June 2021 & 30 June 2020 respectively. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the gross domestic product ('GDP') and the unemployment rate of the country in which it sells its services, and accordingly adjusts the historical loss rates based on expected changes in these factors.

**Note 14. Current assets - Trade and other receivables (continued)**

The ageing of the receivables and allowance for expected credit losses provided for above are as follows:

Consolidated	Trade receivables - Carrying amount		Allowance for ECL	
	2021 \$	2020 \$	2021 \$	2020 \$
Current	7,448,851	21,299,906	795,725	1,060,590
More than 30 days past due	3,353,115	1,897,858	451,916	292,413
More than 60 days past due	1,543,054	1,230,443	303,147	277,043
More than 90 days past due	2,046,296	2,179,660	1,213,655	969,805
	<u>14,391,316</u>	<u>26,607,867</u>	<u>2,764,443</u>	<u>2,599,851</u>
	Accrued revenue - Carrying amount 2021 \$	Accrued revenue - Carrying amount 2020 \$	Allowance for ECL 2021 \$	Allowance for ECL 2020 \$
Current	<u>8,004,126</u>	<u>5,678,158</u>	<u>969,353</u>	<u>435,177</u>

Movements in the allowance for expected credit losses are as follows:

	Consolidated	
	2021 \$	2020 \$
Opening balance	3,035,028	5,356,707
Additional provisions recognised	3,529,722	4,772,021
Receivables written off during the year as uncollectable	<u>(2,830,954)</u>	<u>(7,093,700)</u>
Closing balance	<u>3,733,796</u>	<u>3,035,028</u>

*Accounting policy for trade and other receivables*

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost, less any loss allowances. Trade receivables are generally due for settlement within 30 days. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

Trade receivables are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the group, and a failure to make contractual payments for a period of greater than 180 days past due. Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Other receivables primarily relate to crystallised derivatives and are recognised at amortised cost, less any provision for impairment.

**Note 15. Current assets - Contract costs asset**

	<b>Consolidated</b>	<b>Consolidated</b>
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Deferred subscriber acquisition cost	<u>5,019,661</u>	<u>3,849,390</u>

Costs to obtain contracts relate to incremental commission fees paid to salespersons as a result of obtaining sales contracts. The commission fees are the only cost that the Group would not have incurred if the contract had not been obtained. Whilst the Group incurs other costs that are necessary to facilitate a sale, those costs would have been incurred even if the customer decided not to subscribe and therefore have not been capitalised.

These costs are amortised on a straight-line basis over the period of contracts, ranged from 20 to 43 months (2020: 20 to 43 months) as this reflects the average period over which the service is transferred to the customer. As at 30 June 2021, amortisation amounting to \$4,493,461 (2020: \$3,209,765) was recognised in the Statement of profit or loss and other comprehensive income. There was no impairment loss (2020: nil) in relation to the costs capitalised.

**Note 16. Current assets - Derivative financial instruments**

	<b>Consolidated</b>	<b>Consolidated</b>
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Interest rate swap contracts - cash flow hedges	50,750	-
Electricity derivatives - cash flow hedges	<u>29,291,881</u>	<u>5,916,672</u>
	<u>29,342,631</u>	<u>5,916,672</u>

Refer to note 37 for further information on fair value measurement.

*Interest rate swaps contracts*

As of 30 June 2021, the Group holds interest cap and swap agreements to protect the syndicated loan facility from exposure to increasing interest rates. Under interest rate swap agreements, the Group pays a fixed rate of and receives interest at a variable rate. The gain or loss from remeasuring the hedging instruments at fair value is recognised in other comprehensive income and deferred in equity in the cash flow hedge reserve, to the extent that the hedge is effective. It is reclassified into the income statement when the hedged interest expense is recognised.

*Electricity derivatives*

The Group manages its exposure to the floating price of electricity through the purchase of electricity swaps and options contracts via the futures and over-the-counter markets. The hedged anticipated electricity purchase and sale transactions are expected to occur for each half hour period throughout the next quarter from the reporting date consistent with the forecast demand from customers over this period. Gains or losses recognised in the cash flow hedge reserve in equity on the electricity swap and option contracts as of 30 June 2021 will be released to the Statement of profit or loss and other comprehensive income when the underlying anticipated purchase or sale transactions are recognised in the Statement of profit or loss and other comprehensive income. For option contracts only the amount that has intrinsic value is recognised in the cash flow hedge reserve. Extrinsic value is recognised in the Statement of profit or loss and other comprehensive income.

**Note 17. Non-current assets - Derivative financial instruments**

	Consolidated	
	2021	2020
	\$	\$
Electricity derivatives - cash flow hedges	28,731,558	-

Refer to note 37 for further information on fair value measurement.

Refer to note 36 for further information on financial instruments.

**Note 18. Non-current assets - Property, plant and equipment**

	Consolidated	
	2021	2020
	\$	\$
Fibre assets - at cost	112,375,072	109,831,391
Less: Accumulated depreciation	<u>(22,866,695)</u>	<u>(20,596,420)</u>
	89,508,377	89,234,971
Network equipment - at cost	99,864,934	85,112,567
Less: Accumulated depreciation	<u>(68,763,678)</u>	<u>(53,419,726)</u>
	31,101,256	31,692,841
Data centre - at cost	10,174,265	9,441,572
Less: Accumulated depreciation	<u>(6,612,573)</u>	<u>(6,149,811)</u>
	3,561,692	3,291,761
Plant and equipment - at cost	22,475,075	21,448,565
Less: Accumulated depreciation	<u>(20,103,533)</u>	<u>(17,216,814)</u>
	2,371,542	4,231,751
WIP - at cost	6,580,506	3,528,154
	<u>133,123,373</u>	<u>131,979,478</u>

**Note 18. Non-current assets - Property, plant and equipment (continued)**

*Reconciliations*

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

<b>Consolidated</b>	Fibre assets \$	Network equipment \$	Data centre \$	Plant and equipment \$	Capital WIP \$	Total \$
Balance at 1 July 2019	95,775,884	28,492,112	3,260,508	7,202,830	814,724	135,546,058
Additions	-	-	-	-	20,763,458	20,763,458
Addition through business combination (note 41)	-	1,147,418	-	5,878	-	1,153,296
Reclassification to Right-of-use- asset	(5,458,088)	-	-	-	-	(5,458,088)
Transfers in/(out)	1,131,151	15,081,116	523,024	1,314,737	(18,050,028)	-
Depreciation expense	(2,213,976)	(13,027,805)	(491,771)	(4,291,694)	-	(20,025,246)
Balance at 30 June 2020	89,234,971	31,692,841	3,291,761	4,231,751	3,528,154	131,979,478
Additions	-	-	-	-	23,958,953	23,958,953
Transfer in/(out)	2,543,682	14,752,367	732,692	1,026,510	(19,055,251)	-
Reclassification	-	-	-	-	(1,851,320)	(1,851,320)
Depreciation expense	(2,270,304)	(15,343,951)	(462,762)	(2,886,721)	-	(20,963,738)
Balance at 30 June 2021	<u>89,508,349</u>	<u>31,101,257</u>	<u>3,561,691</u>	<u>2,371,540</u>	<u>6,580,536</u>	<u>133,123,373</u>

No impairment indicators are present relating to the carrying value of property, plant and equipment.

### Note 19. Non-current assets - Right-of-use assets

The Group leases various offices, IRU capacity and fibre assets. The lease contracts are typically made for fixed periods of 6 years to 34 years but may have extension options.

Extension options are included in a number of leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The extension options held are exercisable only by the Group and not by the respective lessor.

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Right-of-use assets	33,605,089	37,366,213
Less: Accumulated depreciation	(5,787,810)	(3,262,311)
	<u>27,817,279</u>	<u>34,103,902</u>

#### Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

<b>Consolidated</b>	<b>Property</b>	<b>IRU capacity</b>	<b>Fibre assets</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Balance at 1 July 2019	28,738,258	1,201,498	-	29,939,756
Adjustments/transfers	1,314,474	-	5,458,088	6,772,562
Depreciation expense	(2,314,150)	(110,907)	(183,359)	(2,608,416)
Balance at 30 June 2020	27,738,582	1,090,591	5,274,729	34,103,902
Depreciation expense	(2,231,232)	(110,907)	(183,359)	(2,525,498)
Lease remeasurement*	(3,761,125)	-	-	(3,761,125)
Balance at 30 June 2021	<u>21,746,225</u>	<u>979,684</u>	<u>5,091,370</u>	<u>27,817,279</u>

\* During the financial year ended 30 June 2021, the Group has decided not to exercise the renewal option for one lease. The remeasurement of lease liability (note 31) has been recognised as an adjustment to the right-of-use asset, accounted for on the effective date of the remeasurement i.e. on 31 December 2020.

The total cash outflow for leases in year 2021 was \$4,945,202 (2020: \$5,032,592).

**Note 20. Non-current assets - Intangibles**

	<b>Consolidated</b>	<b>Consolidated</b>
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Goodwill - at cost	275,318,540	275,154,627
IRU capacity - at cost	8,078,270	5,576,950
Less: Accumulated amortisation	<u>(1,227,905)</u>	<u>(671,901)</u>
	6,850,365	4,905,049
Customer intangibles - at cost	667,656	667,656
Less: Accumulated amortisation	<u>(667,656)</u>	<u>(667,656)</u>
	-	-
Software - at cost	43,675,553	37,442,203
Less: Accumulated amortisation	<u>(19,969,387)</u>	<u>(13,873,375)</u>
	23,706,166	23,568,828
Other intangibles - at cost	29,019	29,019
Less: Accumulated amortisation	<u>(17,799)</u>	<u>(13,352)</u>
	11,220	15,667
Capital work in progress	1,734,413	1,421,324
	<u>307,620,704</u>	<u>305,065,495</u>

*Reconciliations*

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

<b>Consolidated</b>	<b>Goodwill</b>	<b>IRU capacity</b>	<b>Software</b>	<b>Other</b>	<b>Capital</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>intangibles</b>	<b>WIP</b>	<b>\$</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Balance at 1 July 2019	266,973,418	5,351,205	22,008,168	20,114	525,683	294,878,588
Additions	-	-	-	-	6,536,132	6,536,132
Additions through business combinations (note 41)	8,181,209	-	756,245	-	-	8,937,454
Transfers in/(out)	-	-	5,640,491	-	(5,640,491)	-
Amortisation expense	-	<u>(446,156)</u>	<u>(4,836,076)</u>	<u>(4,447)</u>	-	<u>(5,286,679)</u>
Balance at 30 June 2020	275,154,627	4,905,049	23,568,828	15,667	1,421,324	305,065,495
Additions	-	-	-	-	7,196,439	7,196,439
Additions through business combinations (note 41)	163,913	-	-	-	-	163,913
Transfers in/(out)	-	2,501,320	6,233,350	-	(8,734,670)	-
Reclassification	-	-	-	-	1,851,320	1,851,320
Amortisation expense	-	<u>(556,004)</u>	<u>(6,096,012)</u>	<u>(4,447)</u>	-	<u>(6,656,463)</u>
Balance at 30 June 2021	<u>275,318,540</u>	<u>6,850,365</u>	<u>23,706,166</u>	<u>11,220</u>	<u>1,734,413</u>	<u>307,620,704</u>

## Note 20. Non-current assets - Intangibles (continued)

### Impairment testing

In accordance with the Group's accounting policy, impairment testing has been undertaken at 30 June 2021 for the identified cash generating unit ('CGU') with indefinite life intangible assets or where there is an indication of impairment.

For the purpose of impairment testing, assets are grouped at the lowest levels for which there are separately identifiable cash flows, known as cash-generating unit. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Impairment losses recognised for goodwill are not reversed in subsequent periods. Management have determined that the Group is one CGU for the purposes of impairment testing.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

The value in use models are based on the management and Board approved cashflow forecasts. The forecasts use management estimates to determine income, expenses, capital expenditure and cashflows for the CGU. In determining the forecasts management developed a view on the future increases in customer numbers, market share and the mix of the groups product offerings as well as margin per customer as well as the capital and operational expenditure requirements. These determinations were based on past experience and expectations of the future.

Key assumptions used in the value in use estimation of the recoverable amount during the testing for impairment is set out below:

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	%	%
Discount rate (post tax)	9.0%	9.0%
Terminal value growth rate	2.5%	2.5%

The discount rate reflects the market determined risk adjusted rates for specific risks relating to the CGU and the market in which it operates. The discount rate used reflects the assessed risks associated with the 5 year average growth rate assumptions in the 5 year forecasts.

The terminal value growth rate represents the growth rate applied to extrapolate cash flows beyond the five-year period. These growth rates are based on the Group expectation of long-term performance of the CGU.

Other key assumptions used in the calculations are:

- Board approved cashflow forecasts; and
- Board approved forecasts for capital expenditure

The five year cashflow and capital expenditure forecasts use management estimates to determine revenue, expenses, EBITDA, capital expenditure and cashflows for the CGU. In determining the forecasts management developed a view on the future increases in customer numbers, market share and the mix of the Group's product offerings as well as margin per customer as well as the capital and operational expenditure requirements. These determinations were based on past experience and expectations of the future.

Each of the above factors is subject to significant judgement about future economic conditions and the ongoing structure of the telecommunications industry. Management have applied their best estimates to each of the variables and cannot warrant their outcome.

The result of those impairment tests was that there was no impairment identified at 30 June 2021 (2020: nil).

## Note 20. Non-current assets - Intangibles (continued)

### Sensitivity analysis

The estimated recoverable amount of the CGU exceeded its carrying amount. Management has identified that a reasonable possible change in one key assumptions could cause the carrying amount to exceed the recoverable amount. Due to the interrelated nature of the assumptions, movements in any one variable can have an indirect impact on others and individual variables rarely change in isolation. Additionally, management can be expected to respond to some movements, to mitigate downsides and take advantage of upsides, as circumstances allow. Consequently, it is impracticable to estimate the indirect impact that a change in one assumption has on other variables and hence, on the likelihood, or extent, of impairments, or reversals of impairments, under different sets of assumptions in subsequent reporting periods.

The following table shows the amount by which this assumption would need to change individually for the estimated recoverable amount to be equal to the carrying amount.

	2021 %
Changes required for carrying amount equal to recoverable amount	
Decrease in CAGR - EBITDA	3.9%

## Note 21. Non-current assets - Contract costs asset

	Consolidated	
	2021	2020
	\$	\$
Deferred subscriber acquisition costs	4,476,064	3,698,723

Further details on contract costs asset is disclosed at note 15.

## Note 22. Non-current assets - Deferred tax assets

	Consolidated	
	2021	2020
	\$	\$
<i>Deferred tax asset comprises temporary differences attributable to:</i>		
Amounts recognised in profit or loss:		
Carry forward tax losses	163,366	163,366
Allowance for expected credit losses	1,045,463	849,808
Property, plant and equipment	859,218	917,995
Leases	9,756,074	11,473,942
Accrued expenses	2,254,397	1,629,086
Employee long term incentives	283,500	-
Deferred tax asset	<u>14,362,018</u>	<u>15,034,197</u>
<i>Movements:</i>		
Opening balance	15,034,197	3,484,289
Credited/(charged) to profit or loss (note 9)	(672,179)	11,549,908
Closing balance	<u>14,362,018</u>	<u>15,034,197</u>

**Note 23. Non-current liabilities - Deferred tax liabilities**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
<i>Deferred tax liability comprises temporary differences attributable to:</i>		
Amounts recognised in profit or loss:		
Property, plant and equipment	12,813,975	14,720,239
Right-of-use assets	7,840,179	9,549,092
Derivatives	16,165,988	1,651,517
Customer acquisition costs	2,658,804	2,113,472
Other	-	355,036
	<u>39,478,946</u>	<u>28,389,356</u>
<i>Movements:</i>		
Opening balance	28,389,356	16,056,773
Charged/(credited) to profit or loss (note 9)	(2,401,974)	13,054,231
Charged/(credited) to equity (note 9)	13,491,564	(721,648)
	<u>39,478,946</u>	<u>28,389,356</u>

**Note 24. Current liabilities - Trade and other payables**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Trade payables	12,163,892	21,414,141
Accruals	32,377,473	28,864,026
Employee long term incentives*	675,000	-
Other payables	1,419,176	1,252,985
	<u>46,635,541</u>	<u>51,531,152</u>

Refer to note 36 for further information on financial instruments.

*\*Employee long term incentive*

Upon the approval of the Scheme (note 2) during the year, the Group's share based payments compensation plans converted to a cash settled payment in accordance with the terms of these plans. As a result, the share based payments reserve applicable to outstanding unvested share options at balance date were reclassified to employee long term incentives at balance date. Subsequent to the reclassification, the liability was remeasured to the value of the consideration payable to the plan participants, adjusted for a number of assumptions including the historical vesting and future service periods. The amounts payable within the next twelve months have been disclosed within current liabilities, with the remainder classified as non-current liabilities (note 32).

**Note 25. Current liabilities - Borrowing**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Bank loan	67,000,000	-
Upfront borrowing costs	(1,033,886)	-
Payable to related parties	10,746,213	10,266,440
	<u>76,712,327</u>	<u>10,266,440</u>

Refer to note 30 for further information on assets pledged as security and financing arrangements.

Refer to note 40 for further information on payable to related parties.

**Note 26. Current liabilities - Income tax**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Provision for income tax	<u>10,589,798</u>	<u>4,520,500</u>

**Note 27. Current liabilities - Provisions**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Employee benefits	3,596,013	2,547,359
Restructuring	-	36,240
	<u>3,596,013</u>	<u>2,583,599</u>

*Movements in provisions*

Movements in provisions during the current financial year are set out below:

	<b>Employee benefits</b>	<b>Restructuring</b>
	<b>\$</b>	<b>\$</b>
<b>Consolidated - 2021</b>		
Carrying amount at the start of the year	2,547,359	36,240
Additional provisions recognised	6,084,649	202,610
Amounts paid	(5,035,995)	(238,850)
Carrying amount at the end of the year	<u>3,596,013</u>	<u>-</u>

**Note 28. Current liabilities - Lease liabilities**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Lease liabilities	<u>2,072,360</u>	<u>2,046,201</u>

**Note 29. Current liabilities - Other liabilities**

	Consolidated 2021 \$	Consolidated 2020 \$
Revenue received in advance	7,853,537	11,751,589
Interest rate swaps contracts - cash flow hedges	325,071	738,139
	<u>8,178,608</u>	<u>12,489,728</u>

Refer to note 37 for further information on fair value measurement.

Refer to note 36 for further information on financial instruments.

**Note 30. Non-current liabilities - Borrowing**

	Consolidated 2021 \$	Consolidated 2020 \$
Bank loan	-	92,500,000

Refer to note 36 for further information on financial instruments.

*Total secured liabilities*

The total secured liabilities (current and non-current) are as follows:

	Consolidated 2021 \$	Consolidated 2020 \$
Bank loan	<u>67,000,000</u>	<u>92,500,000</u>

*Assets pledged as security*

The bank loan is secured via general security deed over the Group's assets and undertakings.

*Financing arrangements*

Unrestricted access was available at the reporting date to the following lines of credit:

	Consolidated 2021 \$	Consolidated 2020 \$
Total facility - bank loan	135,000,000	135,000,000
Used at the reporting date - bank loan	67,000,000	92,500,000
Unused at the reporting date - bank loan	68,000,000	42,500,000

The Group's bank loan facility as at 30 June 2021 of \$135,000,000 (2020: \$135,000,000) can be used for general corporate purposes. Interest on the facility is recognised at the aggregate of the reference bank bill rate plus a margin.

The Group's bank loan of \$67,000,000 and associated upfront borrowing cost as at 30 June 2021 have been classified as current. It was repaid in full by Voyage, and replaced with a new facility subsequent to year end (note 2 & note 43). All associated upfront borrowing costs will be unwound to the profit and loss.

### Note 31. Non-current liabilities - Lease liabilities

	Consolidated	
	2021	2020
	\$	\$
Lease liabilities	<u>32,770,764</u>	<u>38,932,162</u>

The balance sheet shows the following amounts relating to lease liabilities:

Opening balance	38,932,162	41,603,466
Adjustments	-	1,422,873
Interest expense	2,750,407	2,984,616
Repayments	(4,945,202)	(5,032,592)
Reclassified to current lease liabilities	-	(2,046,201)
Lease remeasurement (note 19)	<u>(3,966,603)</u>	<u>-</u>
Closing balance	<u>32,770,764</u>	<u>38,932,162</u>

### Note 32. Non-current liabilities - Other liabilities

	Consolidated	
	2021	2020
	\$	\$
Energy derivatives - cash flow hedges	-	18,398
Revenue received in advance	685,648	884,874
Employee long term incentives	375,000	-
Interest rate swaps - cash flow hedges	-	241,330
Other non-current liabilities	<u>12,027</u>	<u>49,800</u>
	<u>1,072,675</u>	<u>1,194,402</u>

### Note 33. Equity - Issued capital

	Consolidated			
	2021	2020	2021	2020
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>57,300,001</u>	<u>57,300,001</u>	<u>57,300,001</u>	<u>57,300,001</u>

#### Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 July 2019	57,300,001		57,300,001
Issue of shares	30 June 2020	<u>-</u>	\$0.00	<u>-</u>
Balance	30 June 2020	57,300,001		57,300,001
Issue of shares	30 June 2020	<u>-</u>	\$0.00	<u>-</u>
Balance	30 June 2021	<u>57,300,001</u>		<u>57,300,001</u>

### Note 33. Equity - Issued capital (continued)

#### Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

#### Capital risk management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

### Note 34. Equity - Reserves

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	\$	\$
Share-based payments reserve	-	810,000
Other reserves	107,945,922	107,945,922
Hedge reserve	37,354,816	2,478,785
Common control reserve	86,338,831	86,338,831
	<u>231,639,569</u>	<u>197,573,538</u>

#### Share-based payments reserve

The reserve is used to recognise the value of equity benefits provided to employees and Directors as part of their remuneration, and other parties as part of their compensation for services.

As a result of the approval of the Scheme (note 2), the share based payments reserve applicable to outstanding unvested share options at balance date have been reclassified to employee long term incentives. Refer to note 24 & note 32.

#### Other reserves

The reserve represents intercompany borrowings forgiven by the Group's immediate parent entity and other related entities during the year ended 30 June 2020.

#### Hedging reserve

The reserve is used to recognise the effective portion of the gain or loss of cash flow hedge instruments that is determined to be an effective hedge.

### Note 34. Equity - Reserves (continued)

The Group's hedging reserve relates to the following hedging instruments:

	Electricity hedging	Interest rate swaps	Total hedge reserve
Opening balance 1 July 2019	(52,617)	(284,165)	(336,782)
Add: Change in fair value of hedging instrument recognised in OCI	3,697,534	153,343	3,850,877
Less: Deferred tax	(992,374)	(42,936)	(1,035,310)
Closing balance 30 June 2020	<u>2,652,543</u>	<u>(173,758)</u>	<u>2,478,785</u>
Add: Change in fair value of hedging instrument recognised in OCI	48,471,922	(32,991)	48,438,931
Less: Deferred tax	(13,572,138)	9,238	(13,562,900)
Closing balance 30 June 2021	<u><u>37,552,327</u></u>	<u><u>(197,511)</u></u>	<u><u>37,354,816</u></u>

#### *Common control reserve*

The Group's accounting policy is to apply book value accounting for common control transactions. The book value used is the book value of the transfer or of the investment. Book value accounting is applied on the basis that the entities are part of a larger economic group, and that the figures from the larger group are the relevant ones. In applying book value accounting, no entries are recorded in the profit or loss; instead, the result of the transaction is recognised in equity as arising from a transaction with shareholders.

The book value is accounting on the basis that the investment has simply moved from one group company to another. In applying the book value accounting, an adjustment is required in equity to reflect any difference between the consideration received and the aggregated capital of the transferee. This adjustment has therefore been reflected in the common control reserve capital account.

### Note 35. Equity - Retained profits

	Consolidated	
	2021	2020
	\$	\$
Retained profits at the beginning of the financial year	53,534,395	38,216,148
Profit after income tax expense for the year	<u>25,518,501</u>	<u>15,318,247</u>
Retained profits at the end of the financial year	<u><u>79,052,896</u></u>	<u><u>53,534,395</u></u>

## Note 36. Financial instruments

### *Financial risk management objectives*

The Group's activities expose it to a variety of financial risks including market risks such as foreign currency, commodity, price and interest rate, and credit and liquidity risks.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the Group and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the Group's operating units. Finance reports to the Board on a monthly basis.

Overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on financial performance where material. Derivative financial instruments such as forward foreign exchange contracts are used to hedge certain risk exposures or cash flow hedges where appropriate.

Derivatives are exclusively used for hedging purposes, and not for speculative activities.

Different methods are used to measure different types of risk to which the Group is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks and ageing analysis for credit risk.

The Wholesale Energy Risk Management Committee provides direct oversight over the risks and hedging strategies undertaken to mitigate those risks relating to the Group's retail electricity and gas businesses in New Zealand.

Financial assets and liabilities comprise cash and cash equivalents, receivables, payables and bank loans.

### *Market risk*

#### *Foreign currency risk*

Certain transactions are denominated in foreign currency and the Group is exposed to foreign currency risk through foreign exchange rate fluctuations

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to, the United States of America dollar (USD) and Australian dollar (AUD).

As at 30 June 2021, future movements in NZD/USD currency of 5% (2020: 5%) will have an approximate \$38,000 (2020: \$16,000) increase or decrease to profit or loss.

As at 30 June 2021, future movements in NZD/AUD currency of 5% (2020: 5%) will have an approximate \$4,000 (2020: \$7,000) increase or decrease to profit or loss.

## Note 36. Financial instruments (continued)

### Commodity risk

The Group is exposed to commodity price risk associated with the purchase and/or sale of electricity and to a lesser extent gas. To manage the price risks associated with electricity, the Group enters into derivative instruments such as options and swaps. To manage gas price risk, the Group has a supply agreement which has the commercial effect of limiting the price paid from the national pool on a certain amount of gas.

Based on a quarterly forecast of the required electricity supply, the Group hedges the purchase price using future commodity contracts. The forecast is deemed to be a highly probable transaction.

As at 30 June 2021, future movements in electricity price in New Zealand of 1% (2020: 1%) will have \$130,118 (2020: \$143,867) increase or decrease in profit or loss and \$1,377,737 increase or decrease in equity (2020: \$713,773).

### Interest rate risk

Interest rate risk arises from cash on deposit, bank loans and long-term borrowings. Cash on deposit and borrowings at variable rates creates exposure to interest rate risk. To manage interest rate risk, the Group enters into interest rate swaps or options. The interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Interest rate options economic effect of converting borrowings from floating rates to fixed rates if the option is exercised otherwise the borrowings remain floating.

Obligations under the IRU loan and finance leases are fixed as part of the defined repayment schedules. This mitigates interest rate risk in respect of these obligations.

As at the reporting date, the Group had the following variable rate borrowings and interest rate swap contracts outstanding:

Consolidated	2021		2020	
	Weighted average interest rate %	Balance \$	Weighted average interest rate %	Balance \$
Bank loans	3.18%	67,000,000	3.41%	92,500,000
Interest rate swaps	2.93%	(274,321)	2.75%	(979,469)
Net exposure to cash flow interest rate risk		<u>66,725,679</u>		<u>91,520,531</u>

As at 30 June 2021, future movements in interest rate of 50 basis points (2020: 50 basis points) will have an approximate \$335,000 (2020: \$462,500) increase or decrease to profit or loss and \$217,500 (2020: \$367,500) increase or decrease in equity in the financial year ending 30 June 2021.

### Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

The Group has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the Group based on recent sales experience, historical collection rates and forward-looking information that is available.

The Group does not hold any credit derivatives to offset its credit exposure.

It is the Group's policy that prior to all customers who wish to trade on credit terms are subject to credit verification procedures including an assessment of their independent credit worthiness, financial position, past experience and industry reputation. Credit limits are set for each individual customer in accordance with parameters set by the board and are regularly monitored.

### Note 36. Financial instruments (continued)

Where appropriate, guarantees and security deposits are used as collateral to mitigate perceived risk. The maximum exposure to credit risk at the reporting date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements.

In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. There are no significant concentrations of credit risk within the Group.

#### Liquidity risk

Vigilant liquidity risk management requires the maintenance of sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

Liquidity risk is managed by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

#### Remaining contractual maturities

Remaining contractual maturities The following tables detail the Group's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities (except for bank loans) and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated - 2021	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Total \$
<b>Non-derivatives</b>						
<i>Non-interest bearing</i>						
Trade and other payables	-	46,635,541	-	-	-	46,635,541
Payable to related parties	3.91%	10,746,213	-	-	-	10,746,213
<i>Interest-bearing - variable</i>						
Bank loans	3.18%	67,000,000	-	-	-	67,000,000
Lease liability	7.95%	2,072,360	1,871,908	7,372,534	23,526,322	34,843,124
Total non-derivatives		<u>126,454,114</u>	<u>1,871,908</u>	<u>7,372,534</u>	<u>23,526,322</u>	<u>159,224,878</u>
<b>Derivatives</b>						
Interest rate swaps (assets)	-	50,750	-	-	-	-
Interest rate swaps (liabilities)	2.93%	(325,071)	-	-	-	(274,321)
Energy derivative contracts assets	-	41,156,725	26,079,472	8,839,773	-	76,075,970
Energy derivative contracts liabilities	-	(11,864,844)	(6,187,687)	-	-	(18,052,531)
Total derivatives		<u>29,017,560</u>	<u>19,891,785</u>	<u>8,839,773</u>	<u>-</u>	<u>57,749,118</u>

**Note 36. Financial instruments (continued)**

<b>Consolidated - 2020</b>	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Total \$
<b>Non-derivatives</b>						
<i>Non-interest bearing</i>						
Trade and other payables	-	51,531,152	-	-	-	51,531,152
Payable to related parties	4.07%	10,266,440	-	-	-	10,266,440
<i>Interest-bearing - variable</i>						
Bank loans	3.41%	-	92,500,000	-	-	92,500,000
Lease liability	7.43%	2,046,201	2,072,360	7,045,917	29,813,885	40,978,363
<b>Total non-derivatives</b>		<u>63,843,793</u>	<u>94,572,360</u>	<u>7,045,917</u>	<u>29,813,885</u>	<u>195,275,955</u>
<b>Derivatives</b>						
Interest rate swaps liabilities	2.75%	(738,139)	(241,330)	-	-	(979,469)
Energy derivative contracts assets	-	8,337,464	-	-	-	8,337,464
Energy derivative contracts liabilities	-	(2,420,792)	-	-	-	(2,420,792)
<b>Total derivatives</b>		<u>5,178,533</u>	<u>(241,330)</u>	<u>-</u>	<u>-</u>	<u>4,937,203</u>

**Offsetting**

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The gross positions of financial assets and liabilities that have been offset in the statement of financial position are disclosed above.

**Fair value of financial instruments**

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

**Note 37. Fair value measurement**

*Fair value hierarchy*

The following tables detail the Company's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

<b>Consolidated - 2021</b>	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>Assets</b>				
Interest rate swaps	-	50,750	-	50,750
Energy derivatives	-	47,955,814	10,067,625	58,023,439
<b>Total assets</b>	<u>-</u>	<u>48,006,564</u>	<u>10,067,625</u>	<u>58,074,189</u>
<b>Liabilities</b>				
Interest rate swaps	-	(325,071)	-	(325,071)
<b>Total liabilities</b>	<u>-</u>	<u>(325,071)</u>	<u>-</u>	<u>(325,071)</u>

**Note 37. Fair value measurement (continued)**

<b>Consolidated - 2020</b>	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<i>Assets</i>				
Energy derivatives	-	5,916,672	-	5,916,672
Total assets	-	5,916,672	-	5,916,672
<i>Liabilities</i>				
Interest rate swaps	-	(979,469)	-	(979,469)
Energy derivatives	-	(18,398)	-	(18,398)
Total liabilities	-	(997,867)	-	(997,867)

There were no transfers between levels during the financial year.

The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

The Group has entered into two long term energy swaps which is classified as level 3 instruments as the primary input, being the long-term energy price curve beyond 3 years, is not directly observable in the market.

The fair value of this energy derivative is determined as the present value of future contracted cash flows and credit adjustments. The valuation of this instrument is sensitive to changes in this long-term electricity price beyond 3 years, with a \$1/MWh movement (on average over the duration of the unobservable period) resulting in a \$0.3 million change in the valuation.

*Valuation techniques for fair value measurements*

Financial instruments held at fair value through profit or loss uses observable values such as publicly available equity prices at the end of the reporting period in the valuation and is classified as in the hierarchy as level 1. The fair value of derivative financial instruments that are not traded on an active market is determined by using valuation methodologies and assumptions that are based on market conditions existing at the valuation date. These include:

- a. The use of forward electricity price curve derived from various inputs such as electricity futures market is used in calculating electricity derivatives; and
- b. The interest rate yield curve and applying the net value to future cash flows are techniques used in valuing interest rate swaps

*Valuation inputs and relationships to fair value*

The following table summarises the qualitative information about the significant unobservable inputs used in the fair value measurements of derivatives classified as level 3 instruments:

Type	Valuation technique	Significant input	Significant unobservable input
Energy contracts	Discounted cashflow	Brokers' quotes and observable exchange trade swap and cap price curves	Long term forward electricity and cap price curves*

\* The finance department includes a team that performs the valuations of Level 3 fair values. This team reports directly to the Group's CFO. The valuation of level 3 forward energy contracts involves the use of ASX Otahuhu ('OTA') prices up to 2024 as inputs for valuation, which are observable in the liquid market. Beyond 2024, an internally generated long-term forward electricity and cap price curve is derived using unobservable inputs, projected from the 2024 price. These price curves are reviewed at least once every six months by the Group's CFO and a sub-committee of the Board. Analysis of fair value changes is performed on a monthly basis for reasonableness.

**Note 38. Key management personnel disclosures**

*Compensation*

The aggregate compensation made to Directors and other members of key management personnel of the Group is set out below:

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Short-term employee benefits	745,039	1,332,976
Post-employment benefits	(421)	18,687
Long-term benefits	17,575	(103,629)
Share-based payments	840,219	807,233
	<u>1,602,412</u>	<u>2,055,267</u>

In addition, certain key management personnel were paid by Vocus Pty Limited, a subsidiary of the ultimate parent.

**Note 39. Commitments and contingencies**

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Property, plant and equipment & intangible assets	<u>5,556,113</u>	<u>434,827</u>

There are \$23,679,994 (2020: \$12,479,994) of bank guarantees in place, to facilitate the purchase of energy for the Group from the Energy Regulator & for office property rented.

**Note 40. Related party transactions**

*Parent entity*

Vocus Group Limited, incorporated in Australia, is the ultimate Parent Entity and Vocus Group Holdings Pty Ltd, incorporated in Australia, is the immediate Parent Entity.

*Subsidiaries*

Interests in subsidiaries are set out in note 42.

*Key management personnel*

Disclosures relating to key management personnel are set out in note 38.

**Note 40. Related party transactions (continued)**

*Transactions with related parties*

The following transactions occurred with related parties:

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
<i>Sales and purchases of goods and services:</i>		
Bandwidth, IP transit, data centre, telecommunications and associated infrastructure services provided to related parties	2,479,997	2,362,374
Bandwidth, IP transit, data centre, telecommunications and associated infrastructure services provided by related parties	2,604,684	3,739,359
Ethernet and associated infrastructure services provided to a related party	2,787,322	1,241,289
Management fee paid to a related party	600,000	600,000
Sharing of Vocus Hosted Voice revenue with a related party	256,081	-
<i>Other transactions:</i>		
Insurance paid on behalf by a related party	299,037	255,668
Staffing resources provided by a related party	155,579	39,224
Interest payable to the immediate holding company	197,648	441,161
Interest payable to a related party	532,334	3,303,348

*Receivable from and payable to related parties*

There were no trade receivables from or trade payables to related parties at the reporting date. The balances form part of the loan amounts.

*Loans to/from related parties*

The following balances are outstanding at the reporting date in relation to loans with related parties:

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
<i>Current receivables:</i>		
Other related parties	4,153,477	3,257,774
<i>Current borrowings:</i>		
Vocus Group Holdings Pty Ltd (immediate holding company)	(329,322)	(151,439)
Other related parties	(14,570,368)	(13,372,774)

*Terms and conditions*

The loans are interest bearing at 3.91% (2020: 4.07%) and repayable on demand.

#### Note 41. Business combinations

##### *NZ Fibre Communications Limited*

On 20 May 2020, Orcon Holdings Limited (formerly known as Vocus (New Zealand) Holdings Limited) acquired NZ Fibre Communications Limited, an ISP in New Zealand for an upfront consideration of \$7,965,059. The acquisition adds fibre consumer customers to the existing base of customers and gives the Group the ability to bundle its voice and energy products to an increased base.

Goodwill of \$8,181,209 represents the residual value of the purchase price of the company over the fair value of identified tangible and intangible assets (amounting to (\$216,150)). The accounting for the business combination was provisional at 30 June 2020.

Details of the acquisition are as follows:

	<b>Fair value</b> \$
Cash and cash equivalents	117,181
Other receivables	83,479
Deferred tax asset	395,113
Plant and equipment	1,909,541
Trade payables	(873,658)
Employee benefits	(121,099)
Provision	(1,036,318)
Deferred revenue	(644,237)
Other payables	(46,152)
	<hr/>
Net liabilities acquired	(216,150)
Goodwill	8,181,209
	<hr/>
Acquisition-date fair value of the total consideration transferred	<u>7,965,059</u>

On 7 September 2020, a final working capital adjustment was agreed and an additional and final payment of \$274,724 was made. Subsequent to that, \$110,809 of cash was received from the lawyers escrow account. Both were adjusted against the goodwill balance to \$8,345,122.

#### Note 42. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

<b>Name</b>	<b>Principal place of business / Country of incorporation</b>	<b>Ownership interest</b>	
		<b>2021</b> %	<b>2020</b> %
Vocus (New Zealand) Limited	New Zealand	100.00%	100.00%
Vocus Group NZ Limited	New Zealand	100.00%	100.00%
Data Lock Limited	New Zealand	100.00%	100.00%
M2 Group NZ Limited	New Zealand	100.00%	100.00%
CallPlus Holdings Limited	New Zealand	100.00%	100.00%
2Talk Limited	New Zealand	100.00%	100.00%
CallPlus Australia Holdings Limited	New Zealand	100.00%	100.00%
CallPlus Limited	New Zealand	100.00%	100.00%
Blue Reach Limited	New Zealand	100.00%	100.00%
Slingshot Communications Limited	New Zealand	100.00%	100.00%
CallPlus Services Limited	New Zealand	100.00%	100.00%
CallPlus Trustee Limited	New Zealand	100.00%	100.00%
Orcon Limited	New Zealand	100.00%	100.00%
CallPlus Assets Limited	New Zealand	100.00%	100.00%

**Note 42. Interests in subsidiaries (continued)**

Name	Principal place of business / Country of incorporation	Ownership interest	
		2021 %	2020 %
Flip Services Limited	New Zealand	100.00%	100.00%
CallPlus Services Australia Limited	New Zealand	100.00%	100.00%
M2 NZ Limited	New Zealand	100.00%	100.00%
Switch Utilities Limited	New Zealand	100.00%	100.00%
Switch Utilities Southern Limited	New Zealand	100.00%	100.00%
Switch Utilities Wellington Limited	New Zealand	100.00%	100.00%
NZ Fibre Communications Limited	New Zealand	100.00%	100.00%

**Note 43. Events after the reporting period**

On 9 March 2021, Vocus Group Limited ('Vocus Group'), the ultimate parent company, announced that it had entered into a Scheme Implementation Deed under which Voyage Australia Pty Limited (hereafter 'Voyage'), a company indirectly owned 50% by MIRA Acquisition Co (an investment vehicle of Macquarie Infrastructure and Real Assets and its managed funds) and 50% by Aware Super Pty Ltd as trustee of Aware Super, has agreed to acquire all of the shares in Vocus Group, via a scheme of arrangement ('the Scheme'), for a cash consideration of \$5.50 per share ('scheme consideration'). On 25 June 2021, the Supreme Court of New South Wales approved the Scheme to acquire the Vocus Group. Payment of the scheme consideration was made on the the Scheme implementation date of 22 July 2021. Vocus Group has been delisted from the Australian Securities Exchange on 22 July 2021 as part of the Scheme.

As a result of the approval of the scheme, the Group's bank loan balance of \$67,000,000 (note 25) was repaid in full by Voyage, and replaced with a new facility subsequent to year end. Refer to note 2 for assessment of appropriateness of applying going concern assumption.

On 25 August 2021, Vocus (New Zealand) Holdings Limited (NZBN 9429030670518) has changed its name to Orcon Holdings Limited.



## ***Independent auditor's report***

To the shareholder of Orcon Holdings Limited (previously known as Vocus (New Zealand) Holdings Limited)

### ***Our opinion***

In our opinion, the accompanying financial statements of Orcon Holdings Limited (previously known as Vocus (New Zealand) Holdings Limited) (the Company), including its subsidiaries (the Group), present fairly, in all material respects, the financial position of the Group as at 30 June 2021, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

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### ***We have audited***

The Group's financial statements comprise:

- the statement of financial position as at 30 June 2021;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a significant accounting policies and other explanatory information.

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### ***Basis for opinion***

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs NZ) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

### ***Independence***

We are independent of the Group in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and *International Code of Ethics for Professional Accountants (including International Independence Standards)* issued by the International Ethics Standards Board for Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm carries out other services for the Group in the areas of financial due diligence. The provision of these other services has not impaired our independence as auditor of the Group.

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### ***Responsibilities of the Directors for the financial statements***

The Directors are responsible, on behalf of the Company, for the preparation and fair presentation of the financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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#### ***PricewaterhouseCoopers, ABN 52 780 433 757***

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Liability limited by a scheme approved under Professional Standards Legislation.



In preparing the financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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### *Auditor's responsibilities 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 conducted in accordance with ISAs NZ and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board's website at:

<https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-7/>

This description forms part of our auditor's report.

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### *Who we report to*

This report is made solely to the Company's shareholder. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholder for our audit work, for this report or for the opinions we have formed.

The engagement partner on the audit resulting in this independent auditor's report is Mark Dow.

For and on behalf of:

Chartered Accountants  
29 September 2021

Sydney

I, Mark Dow, am currently a member of Chartered Accountants Australia & New Zealand and my membership number is 278672.

PricewaterhouseCoopers was the audit firm appointed to undertake the audit of Orcon Holdings Limited (previously known as Vocus (New Zealand) Holdings Limited) for the year ended 30 June 2021. I was responsible for the execution of the audit and delivery of our firm's auditor's report. The audit work was completed on 29 September 2021 and an unqualified opinion was issued.

Mark Dow