



# Annual Report

For the Year Ended 31 March 2019

# 2019 Annual Report

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### **Board of Directors:**

Philip McKendry (Chairman)  
Bruce McPherson  
Paul Munro  
Richard Fitzgerald  
Roger Sutton  
Andrew Barlass (Appointed 29 August 2018)  
Gary Leech (Retired 29 August 2018)

### **Shareholders Committee:**

Ian Cullimore (Chairman)  
Anne Marett  
Chris Robertson  
David Ward  
Jeanette Maxwell  
Robert Newlands  
Alister Lilley

### **Management:**

Chief Executive Officer  
Network Manager  
GM Field Services  
Commercial Manager  
Chief Financial Officer

Gordon Guthrie  
Brendon Quinn  
Tony Hannah  
Jeremy Adamson  
Mark Lester

### **Office:**

EA Networks  
22 JB Cullen Drive  
Ashburton Business Estate  
Ashburton 7772

### **Contact Details:**

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Email: [enquiries@eanetworks.co.nz](mailto:enquiries@eanetworks.co.nz)

### **Auditors:**

PricewaterhouseCoopers  
Level 4, 60 Cashel Street  
Christchurch Central  
Christchurch 8013

### **General Company Solicitor:**

Tavendale and Partners  
Level 1 Tavendale and Partners Centre  
62 Cass Street  
Ashburton 7700

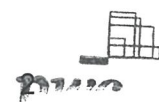
### **Company Solicitor for Shareholders Related Issues:**

David Stock  
Level 3, White Fox and Jones House  
22 Moorhouse Avenue  
Christchurch 8011

# Statement of comprehensive income

Audited financial statements - EA Networks - year ended 31 March 2019

	Notes	2019 \$000	Restated 2018 \$000
<b>Operating revenue</b>		<b>51,953</b>	<b>54,505</b>
Consumer discount		(2,883)	(2,858)
<b>Operating revenue after consumer discount</b>	2	<b>49,070</b>	<b>51,647</b>
Operating expenses	3	(21,843)	(26,648)
Interest and associated costs	4	(3,285)	(3,768)
Depreciation and amortisation		(10,149)	(9,422)
<b>Operating surplus before share of Joint Venture and taxation</b>		<b>13,793</b>	<b>11,809</b>
Preferential right to income from the BCI Joint Venture	19	0	1,184
Share of BCI Joint Venture loss for the year	19	0	(954)
<b>Operating surplus before taxation</b>		<b>13,793</b>	<b>12,039</b>
Taxation	5	(3,717)	(3,735)
<b>Operating surplus after taxation</b>		<b>10,076</b>	<b>8,304</b>
<b>Other comprehensive income</b>			
<b>Sale of JV</b>			
Net proceeds from sale of JV	17	0	14,633
Tax credit associated with the sale of JV	5	0	2,866
Adjusted profit from sale of JV		0	17,499
<b>Total comprehensive income</b>		<b>10,076</b>	<b>25,803</b>



# Statement of changes in equity and members' interests

Audited financial statements - EA Networks – year ended 31 March 2019


Notes	JV revaluation reserve \$000	Retained earnings \$000	Deferred shares \$000	Rebate shares \$000	Total \$000
<b>Balance as at 1 April 2017</b>	<b>1,800</b>	<b>121,019</b>	<b>31,484</b>	<b>1,333</b>	<b>155,636</b>
NZ IFRS 15 Adoption	0	3,688	0	0	0
<b>Balance as at 1 April 2017 (Restated)</b>	<b>1,800</b>	<b>124,707</b>	<b>31,484</b>	<b>1,333</b>	<b>159,324</b>
<b>Comprehensive income:</b>					
Operating Surplus after Taxation	0	8,304	0	0	8,304
Profit on sale of JV	0	17,499	0	0	17,499
	<b>0</b>	<b>25,803</b>	<b>0</b>	<b>0</b>	<b>25,803</b>
<b>Transactions with owners:</b>					
Shares issued	0	0	0	82	82
Shares repaid	0	0	0	(87)	(87)
	<b>0</b>	<b>0</b>	<b>0</b>	<b>(5)</b>	<b>(5)</b>
<b>Reversal of JV revaluation reserve</b>	<b>(1,800)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(1,800)</b>
<b>Balance as at 31 March 2018 (Restated)</b>	<b>0</b>	<b>150,510</b>	<b>31,484</b>	<b>1,328</b>	<b>183,322</b>
<b>Comprehensive income:</b>					
Operating surplus after taxation	0	10,076	0	0	10,076
<b>Transactions with owners:</b>					
Shares issued	0	0	0	95	95
Shares repaid	0	0	0	(96)	(96)
	<b>0</b>	<b>0</b>	<b>0</b>	<b>(1)</b>	<b>(1)</b>
<b>Balance as at 31 March 2019</b>	<b>0</b>	<b>160,586</b>	<b>31,484</b>	<b>1,327</b>	<b>193,397</b>

# Statement of financial position

Audited financial statements - EA Networks – as at 31 March 2019

	Notes	2019 \$000	Restated 2018 \$000
<b>Equity and members' interests</b>		193,397	183,322
<i>Represented by:</i>			
<b>Current assets</b>			
Cash and cash equivalents		91	210
Inventories	8	5,684	4,639
Trade and other receivables	10	6,470	6,412
Naming rights to EA Networks Centre	11	67	67
<b>Total current assets</b>		<b>12,312</b>	<b>11,328</b>
<b>Non-current assets</b>			
Intangibles	9	1,156	1,110
Naming rights	11	667	733
Property, plant and equipment	12	269,938	262,001
Derivative financial instruments	13	39	149
<b>Total non-current assets</b>		<b>271,800</b>	<b>263,993</b>
<b>Total assets</b>		<b>284,112</b>	<b>275,321</b>
<b>Current liabilities:</b>			
Trade and other payables	14	4,071	3,853
Borrowings	20	23,300	0
Tax payable		1,114	154
Employee entitlements	15	2,009	1,996
Derivative financial instruments	13	112	54
<b>Total current liabilities</b>		<b>30,606</b>	<b>6,057</b>
<b>Non-current liabilities:</b>			
Deferred tax liabilities	6	27,486	25,928
Borrowings	20	31,290	59,050
Derivative financial instruments	13	1,333	964
<b>Total non-current liabilities</b>		<b>60,109</b>	<b>85,942</b>
<b>Total liabilities</b>		<b>90,715</b>	<b>91,999</b>
<b>Net assets</b>		<b>193,397</b>	<b>183,322</b>

For and on behalf of the Board



.....  
Director



.....  
Director

1 July 2019

## Statement of cash flows

Audited financial statements - EA Networks - year ended 31 March 2019

	Notes	2019 \$000	Restated 2018 \$000
<b>Cash flows from operating activities</b>			
Receipts from customers		51,860	53,925
Consumer discount paid		(2,789)	(2,775)
GST received		15	107
Interest received		3	0
Payments to suppliers & employees		(22,231)	(25,158)
Interest paid		(2,642)	(3,483)
Taxation paid		(1,200)	(1,593)
<b>Net cash flows from operating activities</b>	16	<b>23,016</b>	<b>21,023</b>
<b>Cash flows from investing activities</b>			
Preferential right to income from the Joint Venture		0	2,941
Sale of property, plant and equipment		4,959	261
Sale of interest in JV		0	26,000
Investment in property, plant and equipment		(23,539)	(20,004)
<b>Net cash flows from investing activities</b>		<b>(18,580)</b>	<b>9,198</b>
<b>Cash flows from financing activities</b>			
Bank loans – repayments		(4,460)	(29,950)
Purchase of shares from owners		(95)	(88)
<b>Net cash flows from financing activities</b>		<b>(4,555)</b>	<b>(30,038)</b>
<b>Net increase (decrease) in cash held</b>		<b>(119)</b>	<b>183</b>
Cash and cash equivalents at start of year		210	27
<b>Cash and cash equivalents at end of year</b>		<b>91</b>	<b>210</b>

# Notes to the financial statements

## Principal activities

EA Networks' principal activities are:

- Development, operation and maintenance of an electricity distribution and communication network.
- Contracting, electrical construction and maintenance services for distribution networks and end users.
- Investment in other infrastructural assets such as energy utilisation enhancement projects and communication network.

All operations are conducted in New Zealand.

## 1 Significant changes in the current reporting period

Other than those due to new standards or amendments and the treatment of capital contributions there have been no changes in accounting policies. All policies have been applied on basis consistent with those used in prior years

### IFRS 9 Adoption

During the period, EA Networks adopted NZ IFRS 9. This changed the classification of financial instruments and introduced a new expected credit loss methodology for impairment of trade receivables. EA Networks has adopted the simplified approach to the expected credit loss methodology. Due to the nature of our receivables, the adoption of the expected credit loss methodology did not have a material impact on the provisioning methodology. The classification of the financial instruments has changed as follows:

	<i>NZ IAS 39 Classification</i>	<i>NZ IFRS 9 Classification</i>
Cash and Cash Equivalents	Loans and receivables	Financial assets at amortised cost
Trade receivables	Loans and receivables	Financial assets at amortised cost
Derivative financial instruments	Financial Assets/Liabilities at fair value through profit or loss	Financial Assets/Liabilities at fair value through profit or loss
Borrowings	Financial Liabilities at amortised cost	Financial liabilities at amortised cost

### Other matters

No other significant changes have occurred during the period.

## 2 Operating revenue

	2019 \$000	Restated 2018 \$000
<i>Revenue from contracts with customers:</i>		
Distribution line charge revenue	44,307	49,526
Less consumer discount	(2,883)	(2,858)
<i>Net distribution line charges revenue</i>	<u>41,424</u>	<u>46,668</u>
Capital Contributions	1,319	201
Communication network revenue	1,294	1,177
Other income including contracting revenue	4,727	3,387
<i>Total Revenue from contracts with customers</i>	<u>48,764</u>	<u>51,433</u>
<i>Other revenue</i>		
Rental property	0	149
Interest income	3	0
Gain on sale of PPE	303	65
<i>Total other revenue</i>	<u>306</u>	<u>214</u>
<b>Total operating revenue</b>	<b>49,070</b>	<b>51,647</b>

### Accounting policies relating to revenue recognition

#### **Distribution line charge revenue**

We generate revenue from consumers, via electricity retailers, who pay a mixture of a daily fee and a variable charge. With the fixed charge being based on the consumers loads groups and the variable charge based on the amount of electricity entering their ICP.

#### **Consumer discount**

Each year we set and pay a consumer discount to all consumers connected to the electricity distribution network at a point of time. The allocation of an individual consumer share of the consumer discount pool is based on their charges over a measurement period.

#### **Capital Contributions**

We may require a contribution towards our capital cost associated with work requested from the consumer. The revenue from capital contributions is recognised when we have completed the capital work associated with the requested work.

#### **Communication network revenue**

We generate revenue by charging a daily fee to use the communication network.

#### **Other income includes contracting revenue**

Other income is primarily made up of contracting revenue. For most of our contracting work, we recognise a sale when the requested work has been completed. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods, or where there is continuing management involvement with the goods.

#### **Rental property**

Rental income is recognised in accordance with the substance of the relevant lease agreements.

#### **All other income**

All other revenue is recognised in the accounting period in which the service is provided.

## 3 Operating expenses

	2019 \$000	2018 \$000
Pass-through and recoverable costs <sup>^</sup>	8,052	13,315
Employee benefit costs*	6,962	6,402
Distribution system maintenance & fault cost	3,979	3,700
Harmonics incentive	18	48
Directors and shareholders committee fees	366	355
Rental & operating lease payments	22	44
Audit fees – financial statements	55	36
Other operating expenses including contracting activities	2,389	2,748
	<u>21,843</u>	<u>26,648</u>



### 3 Operating costs (continued)

^Pass-through and recoverable costs include transmission costs, system rates, Commerce Commission levies and other regulatory levies which is recovered through transmission prices.

	2019 \$000	2018 \$000
<i>*Employee benefit costs</i>		
Expensed in the year	6,962	6,402
Included as part of Distribution system maintenance & fault cost and capitalised as part of property, plant and equipment	4,292	5,114
<b>Total employee benefit costs for the year</b>	<b>11,254</b>	<b>11,516</b>

Directors fees, shareholders fees and audit related cost are detailed on pages 32-33.

### 4 Interest and associated cost

Interest expense on loans	2,237	2,658
Bank fees associated with financing	510	570
Movements in derivatives associated with financing	538	540
	<b>3,285</b>	<b>3,768</b>

### 5 Taxation

#### Tax reconciliation:

Operating surplus before taxation	13,793	12,039
Sale of interest in JV (refer note 17)	0	14,633
	<b>13,793</b>	<b>26,672</b>
Prima facie taxation at 28%	3,862	7,468
<i>Movements in tax due to: -</i>		
Permanent differences		
Non-assessable income	0	(6,636)
Non-deductible expenses	61	39
Tax expenses	<b>61</b>	<b>(6,597)</b>
	<b>3,923</b>	<b>871</b>
Timing differences	(1,569)	1,147
Current taxation charge for the year	<b>2,354</b>	<b>2,018</b>
Prior year tax adjustment		
Permanent difference	(195)	5
Timing Difference	11	(7)
<b>Taxation charge for the year</b>	<b>2,170</b>	<b>2,016</b>
<b>Comprising</b>		
Current taxation	2,159	2,023
Current deferred taxation	1,558	(1,154)
	<b>3,717</b>	<b>869</b>
Tax credit associated with the sale of interest in JV (refer note 17)	0	2,866
<b>Tax expense for the Year</b>	<b>3,717</b>	<b>3,735</b>

how the numbers are calculated

## 5 Taxation (continued)

### Imputation credit account

	Opening balance \$000	Tax paid \$000	Tax refunded \$000	Closing balance \$000
31 March 2018	22,116	1,593	0	23,709
31 March 2019	23,709	2,314	0	26,023

## 6 Deferred tax liabilities

	Depreciation \$000	BCI JV \$000	Other \$000	Total \$000
<b>Balance at 1 April 2017 (Restated)</b>	<b>25,034</b>	<b>2,400</b>	<b>(352)</b>	<b>27,082</b>
Tax expense	1,524	(2,400)	(278)	(1,154)
<b>Balance as at 31 March 2018 (Restated)</b>	<b>26,558</b>	<b>0</b>	<b>(630)</b>	<b>25,928</b>
Tax expense	1,786	0	(228)	1,558
<b>Balance as at 31 March 2019</b>	<b>28,344</b>	<b>0</b>	<b>(858)</b>	<b>27,486</b>

### Accounting policies relating to Income Tax

The income tax charged to the statement of comprehensive income includes both the current year's provision on the taxable income based on the income tax rate and the deferred tax effect attributed to temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statement and to unused tax losses.

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the probable profit or tax loss for the period. It is calculated using the rates and laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability or asset to the extent that it is unpaid or refundable.

Temporary differences arising from transactions, other than business combinations, affecting neither accounting profit nor taxable profit are ignored.

Current and deferred tax is recognised as an expense, or income, in the statement of comprehensive income except when it relates to items credited or debited directly to equity, in which case the deferred tax or current tax is also recognised directly in equity.

Tax accounting is applied on a comprehensive basis to all timing differences using the liability method. A deferred tax asset is only recognised to the extent that it is probable there will be future taxable profits to utilise the temporary differences.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the periods when the asset and liability giving rise to them are realised or settled, based on the rates and tax laws that have been enacted or substantively enacted by reporting date. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax asset and liabilities on a net basis.

## 7 Share capital

	Deferred shares	Rebated shares issued and fully paid	Unallocated rebate shares	Total shares
<b>2018</b>				
Shares	28,750,000	1,327,604	288,396	30,366,000
Value of shares	\$31,484,118	\$1,327,604	\$0	\$32,811,722
<b>2019</b>				
Shares	28,750,000	1,326,535	289,465	30,366,000
Value of shares	\$31,484,118	\$1,326,535	\$0	\$32,810,653

## 7 Share capital (continued)

### Deferred shares

There are 28,750,000 of deferred shares held by the Ashburton District Council, which have the following conditions or rights attached to them:

- (a) There is no right to distributions, dividends or rebates.
- (b) There is a right to vote if the rights attached to the deferred share are to be altered, or there is a proposal that would change the control of the Company, or the rights of the council are not carried forward on an amalgamation.
- (c) The shares are not transferable, except to another local authority, or if 25 per cent of the voting shares are controlled by one person.
- (d) The right to an equal distribution with the holders of the rebate shares on a winding up of the Company.

### Rebate shares issued

The Company issues to those connected to the Network \$100 of non-tradable rebate shares with the following provisions:

- (a) No user shall be required to hold any more rebate shares than any other user.
- (b) The user must be connected to the Network.

When the user ceases to be connected to the Network the \$100 will be refunded less any monies owing on purchase of the rebate shares.

## 8 Inventories

	2019 \$000	2018 \$000
Distribution system	4,867	3,960
Communication network	817	679
	<b>5,684</b>	<b>4,639</b>

No inventories are subject to a retention of title clause or hedged as security for a liability (2018: Nil).

### Accounting policies relating to inventory

Inventories are recognised at the lower of cost, determined on a weighted average cost basis, and net realisable value.

## 9 Intangible assets

	2019 \$000	2018 \$000
<b>Software</b>		
Opening purchase cost	3,780	2,808
Additions in the year	1,048	494
Reclassified from property, plant and equipment	0	478
Closing purchase cost	<b>4,828</b>	<b>3,780</b>
Opening accumulated amortisation	2,984	2,325
Amortisation for the year	714	372
Reclassified from property, plant and equipment	0	287
Closing accumulated amortisation	<b>3,698</b>	<b>2,984</b>
<b>Net book value</b>	<b>1,130</b>	<b>796</b>
Add work in progress	26	314
<b>Total intangibles</b>	<b>1,156</b>	<b>1,110</b>

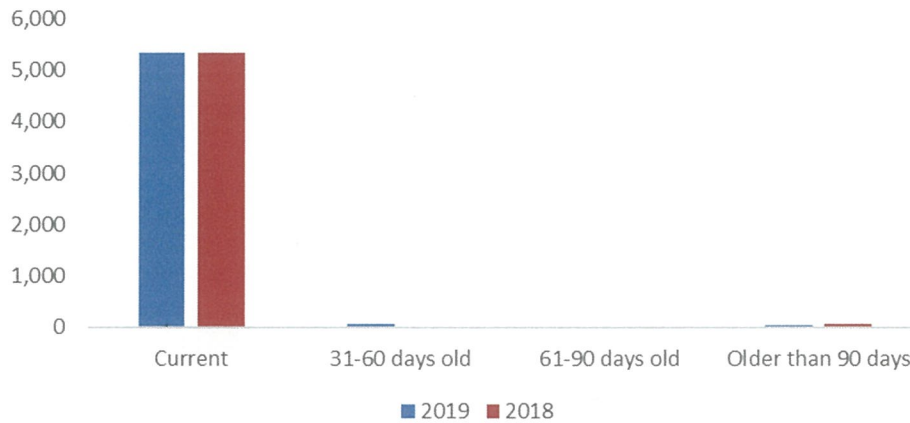
### Accounting policies relating to intangible assets

Intangible assets mainly consist of software which is shown at cost less amortisation. Amortisation of software is charged on a diminishing value basis using rates from 40% to 60% p.a. Intangible assets are assessed annually for impairment.

10 Trade and other receivables

	2019 \$000	2018 \$000
Trade receivables	5,456	5,444
Prepayments	1,014	970
Expected credit loss provision	0	(2)
	<b>6,470</b>	<b>6,412</b>

Age of trade and other receivables  
\$000's



Individually impaired accounts receivable relates to customers for whom there is objective evidence of ability to pay. Generally, no collateral is held for account receivables.

Changes in expected credit loss

	2019 \$000	2018 \$000
Opening balance	2	13
Addition/(Released)	(2)	(11)
Closing balance	<b>0</b>	<b>2</b>

Accounting policies relating to trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. EA Networks holds the trade receivables with the objective to collect the contractual cashflows and therefore measures them subsequently at amortised cost using the effective interest method. EA Networks applies the simplified approach to providing for the expected credit losses prescribed by NZ IFRS 9, which permits the use of the lifetime expected credit loss provision for all trade receivables. In the prior year, the impairment of trade receivables was assessed based on the incurred loss method. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly.

how the numbers are calculated

## 11 Naming rights

### EA Networks Centre

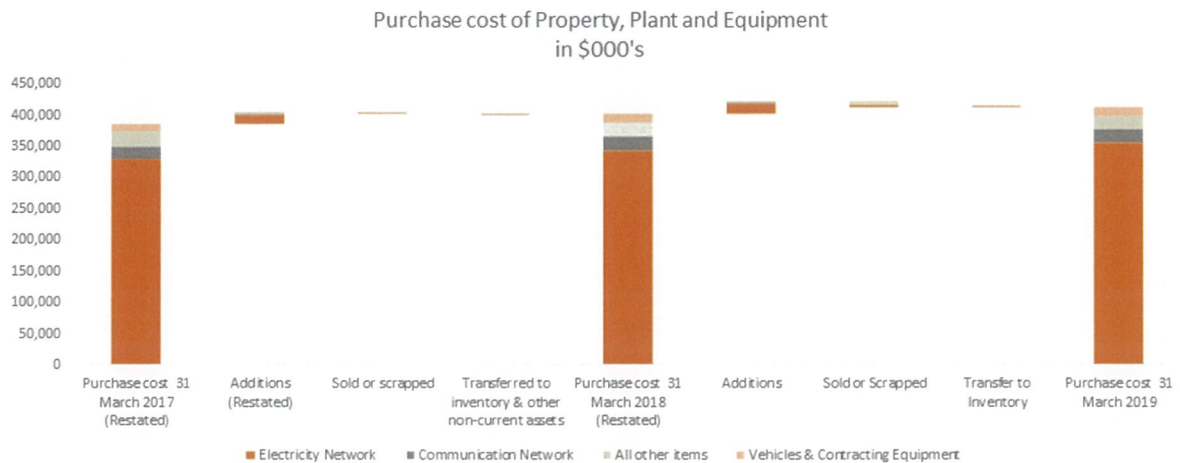
	2019 \$000	2018 \$000
Purchase cost	1,000	1,000
Opening accumulated amortisation	200	133
Amortisation for the year	66	67
Closing accumulated amortisation	<b>266</b>	<b>200</b>
<b>Carrying value of naming rights</b>	<b>734</b>	<b>800</b>
<b>Made-up from</b>		
Current asset naming right	67	67
Non-current asset naming right	667	733
<b>Carrying value of naming right</b>	<b>734</b>	<b>800</b>

EA Networks has purchased the naming rights to the Ashburton Stadium Complex from the Ashburton Stadium Complex Trust for a period of 15 years from May 2015 when the council officially opened the complex. The naming rights are amortised over 15 years, which is the life of the naming right.

### Accounting policies concerning naming rights

Naming rights are stated at cost less accumulated amortisation.

## 12 Property, plant and equipment

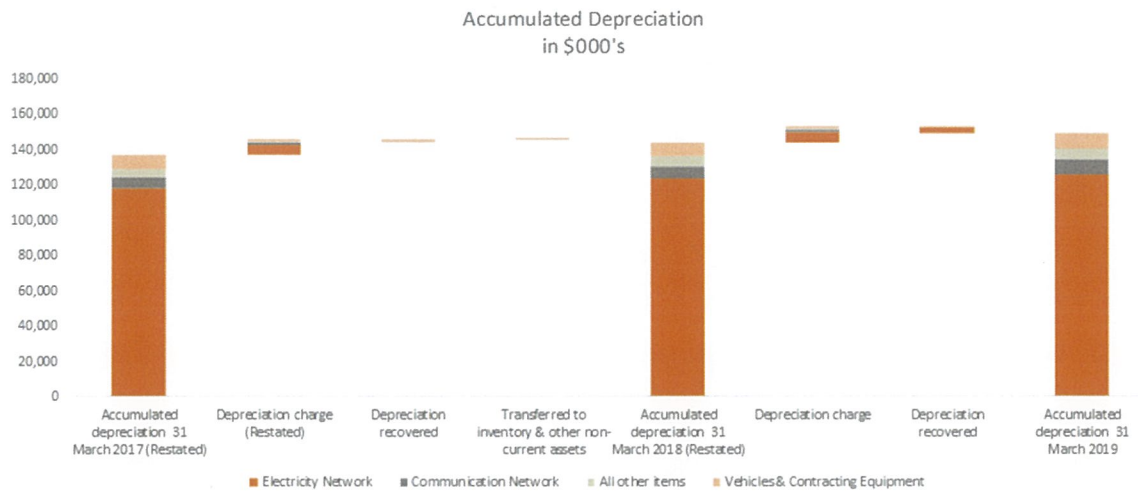


	Electricity Network	Communication Network	All other items	Vehicles & Contracting Equipment	Total
Purchase cost 31 March 2017 (Restated)	328,711	20,247	23,329	13,391	385,678
Additions (Restated)	14,632	1,220	221	2,086	18,159
Sold or scrapped	(403)	0	(10)	(1,488)	(1,901)
Transferred to inventory & other non-current assets	(117)	0	(107)	(270)	(494)
Purchase cost 31 March 2018 (Restated)	342,823	21,467	23,433	13,719	401,442
Additions	16,271	1,124	243	1,743	19,381
Sold or Scrapped	(3,798)	0	(4,473)	(664)	(8,935)
Transfer to Inventory	(18)	0	0	0	(18)
Purchase cost 31 March 2019	355,278	22,591	19,203	14,798	411,870

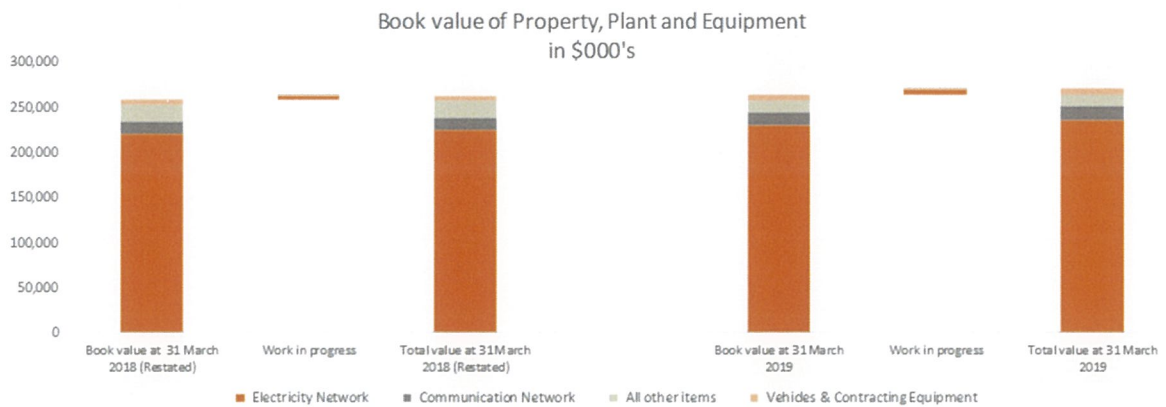
how the numbers are calculated

12 Property, plant and equipment (continued)

how the numbers are calculated



	Electricity Network	Communication Network	All other items	Vehicles & Contracting Equipment	Total
Accumulated depreciation 31 March 2017 (Restated)	117,741	6,137	4,916	7,857	136,651
Depreciation charge (Restated)	5,657	1,071	912	1,411	9,051
Depreciation recovered	(305)	0	(10)	(1,391)	(1,706)
Transferred to inventory & other non-current assets	(20)	0	(61)	(205)	(286)
<b>Accumulated depreciation 31 March 2018 (Restated)</b>	<b>123,073</b>	<b>7,208</b>	<b>5,757</b>	<b>7,672</b>	<b>143,710</b>
Depreciation charge	6,045	1,124	694	1,572	9,435
Depreciation recovered	(3,454)	0	(274)	(556)	(4,284)
<b>Accumulated depreciation 31 March 2019</b>	<b>125,664</b>	<b>8,332</b>	<b>6,177</b>	<b>8,688</b>	<b>148,861</b>



	Electricity Network	Communication Network	All other items	Vehicles & Contracting Equipment	Total
Book value at 31 March 2018 (Restated)	219,750	14,259	17,676	6,047	257,732
Work in progress	4,042	109	52	66	4,269
<b>Total value at 31 March 2018 (Restated)</b>	<b>223,792</b>	<b>14,368</b>	<b>17,728</b>	<b>6,113</b>	<b>262,001</b>
Book value at 31 March 2019	229,614	14,259	13,026	6,110	263,009
Work in progress	5,953	421	4	551	6,929
<b>Total value at 31 March 2019</b>	<b>235,567</b>	<b>14,680</b>	<b>13,030</b>	<b>6,661</b>	<b>269,938</b>

**Accounting policies concerning property, plant and equipment**

**Property, plant and equipment** purchased prior to 1 April 2006 are shown at 'deemed cost' less subsequent depreciation, and impairment write-down. Property, plant and equipment purchased after 1 April 2006 is recorded at the value of the consideration given to acquire and/or construct the assets, plus the value of other directly attributable costs which have been incurred in bringing the assets to the location and condition necessary for their intended service, less subsequent depreciation and impairment write-down.

**Communication Network Assets** are stated at cost less depreciation. Cost includes expenditure that is directly attributable to the acquisition of the items.

**Land** is stated at cost and not depreciated.

**Measurement** of buildings, plant and equipment are stated at cost less accumulated depreciation. Cost includes expenditure that is directly attributable to the acquisition of the items.

**Depreciation** has been provided on all property, plant and equipment other than freehold Land on the following basis and at the following rates, which amortise the cost of the asset over their economic lives.

Item	Rate	Method
Electricity network	1.43% to 6.67%	Straight line
Communication network	3.00% to 17.50%	Straight line
Other:		
- Buildings	1.00% to 2.50%	Straight line
- All other items	4.80% to 12.00%	Diminishing value
Vehicles & contracting equipment	7.50% to 70.00%	Straight line Diminishing value

The assets residual values and useful lives are reviewed and adjusted if appropriate at each balance date. The standard physical assets lives reflect the useful life defined in the Electricity Distribution Input Methodologies determination 2012, downloadable from <http://www.comcom.govt.nz/dmsdocument/16045>.

**Easements** are recorded at cost and expensed in the period they are paid.

**Impairment**

If the recoverable amount of an item of property, plant and equipment is less than the carrying amount, the item is written down to its recoverable amount. The write down of an item recorded at historical cost is recognised as an expense in the statement of comprehensive income. When a revalued item is written down to recoverable amount, the write down is recognised as a downward revaluation to the extent of the corresponding revaluation reserve, and any balance is recognised in the Statement of comprehensive income.

The carrying amount of an item of property, plant and equipment that has previously been written down to recoverable amount, is increased to its current recoverable amount if there has been a change in the estimates used to determine the amount of the write down. The increased carrying amount of the item will not exceed the carrying amount that would have been determined if the write down to recoverable amount had not occurred.

Reversals of impairment write downs are recognised in the Statement of comprehensive income.

**Other assets** are impaired where there is objective evidence that because of one or more events that occurred after the initial recognition of the asset, that the future cash flows of the asset have been impacted. The carrying amount of the asset is reduced by the impairment loss and this loss is recognised as an expense in the Statement of comprehensive income.

**Capital Work in Progress** is stated at cost and is not depreciated.





## 15 Employee entitlements (continued)

### Accounting policy for employee entitlements

Employee benefits are allocated into:

#### Leave entitlement

Represents entitlement earned for Annual, alternative, and long service leave. A provision is also made towards long service leave entitlement.

#### Retirement gratuity

Gratuities are payable when a qualifying employee elects to retire. The Company recognises the liability when an employee reaches the minimum length of service and apportions the entitlement in the reporting year based on length of service, age and the current age eligibility, in these accounts.

## 16 Reconciliation of Net Cash Flows from Operating Activities to Operating Surplus after Taxation

	2019 \$000	2018 \$000
<b>Operating surplus after taxation</b>	<b>10,076</b>	<b>8,304</b>
<i>Add / (Less) non-cash items: -</i>		
Depreciation and amortisation	10,149	9,422
Movement in financial derivatives	538	540
Movement in deferred taxation	1,556	(1,154)
Loss / (Gain) on sale of property, plant and equipment	(303)	(65)
Discount used by shareholders to purchase shares	94	83
Return on investment in Joint Venture		(1,184)
Amortisation of naming rights	67	67
Loss from Joint Venture		954
<b>Total non-cash items</b>	<b>12,101</b>	<b>8,663</b>
<i>Movement in net current assets / liabilities: -</i>		
Decrease / (Increase) in inventory	(1,045)	389
Decrease / (Increase) in trade and other receivables	(58)	1,588
Increase / (Decrease) in trade and other payables	219	156
Increase / (Decrease) in employee entitlement	13	130
Increase / (Decrease) in taxation payable	960	429
<b>Total net current assets/liabilities movement</b>	<b>89</b>	<b>2,692</b>
<i>Other: -</i>		
Inventory transferred from property, plant and equipment	(17)	(16)
Trade and other payables relating to property, plant and equipment.	767	273
Trade and other payables relating to investment in the JV	0	(1,759)
Tax on sale of JV	0	2,866
<b>Total Other</b>	<b>750</b>	<b>1,364</b>
<b>Net cash flows from operating activities</b>	<b>23,016</b>	<b>21,023</b>

## 17 Changes in the structure that occurred and the disposal of discontinued operations

### Group structure and investments

This section provides information which will help users understand how the group structure affects the financial position and performance of EA networks. In particular, there is information about:

- changes to the structure that occurred during the year as a result of business combinations and the disposal of a discontinued operation
- transactions with non-controlling interests, and
- Interests in joint operations.

EA Networks sold its 50% interest in the Barrhill Chertsey Irrigation Joint Venture in September 2017, and recognised a gain on sale as follows:

	2019 \$000	2018 \$000
Net book value of investment at 31 March 2017	0	14,122
Adjustment on sale	0	(1)
Share of loss for the 2018 year	0	(954)
BCI revaluation reserve	0	(1,800)
Net book value of investment at 30 September 2018	0	11,367
Sale price of the Joint Venture	0	26,000
Accounting profit on sale before tax adjustment	0	14,633
Reversal of deferred tax on sale of JV	0	2,866
Accounting profit on sale	0	17,499

## 18 Transactions with related parties

	2019 \$000	2018 \$000
<b>Ashburton District Council</b>		
Ashburton District Council is a significant shareholder that holds 28,750,000 deferred shares		
<i>EA Networks has paid Ashburton District Council:</i>		
Rates	200	178
Other services	39	15
<i>Outstanding at balance date</i>		
Rates	0	36
Other services	0	9
<i>Ashburton District Council has paid EA Networks:</i>		
Contracting services and Capital Contributions	1,914	533
Other	46	42
<i>Outstanding at balance date</i>		
Contracting services and Capital Contributions	97	138
Other	4	13
<b>Ashburton Contracting Limited</b>		
Ashburton Contracting is 100% owned by Ashburton District Council		
<i>EA Networks has paid Ashburton Contracting Limited:</i>		
Contracting services	275	762
<i>Outstanding at balance date</i>		
	4	95
<i>Ashburton Contracting Limited has paid EA Networks:</i>		
<i>Contracting services and Capital Contributions</i>	2	8
<i>Other</i>	0	1
<i>Outstanding at balance date</i>		
<i>Contracting service and Capital Contributions</i>	97	0
<i>Other</i>	4	0

**18 Transactions with related parties (continued)**

	2019 \$000	2018 \$000
<b>Cullimore Engineering Limited</b>		
Cullimore Engineering Limited is 50% owned by Ian Cullimore who is the chairperson of the EA Networks Shareholders Committee		
<i>EA Networks has paid Cullimore Engineering Limited</i>		
Contracting services	56	1
<b>Outstanding at balance date</b>	<b>0</b>	<b>0</b>

**19 Investment in Barrhill Chertsey Irrigation Limited / Electricity Ashburton Limited Joint Venture (BCI JV)**

The investment in Barrhill Chertsey was sold on 30 September 2017

	2019 \$000	2018 \$000
<b>Statement of Financial Performance for the six-month period ending 30 September 2017</b>		
<b>The Company's share of income and expenses are:</b>		
Income	0	5,996
Expenses	0	(3,085)
Interest	0	(1,484)
Depreciation and amortisation	0	(2,152)
<b>Net Loss for the Period</b>	<b>0</b>	<b>(725)</b>
EA Networks preferential right to income	0	(1,184)
<b>Pre-tax profit from continuing operations</b>	<b>0</b>	<b>(1,909)</b>
Income tax expenses	0	0
<b>Post-tax profit from continuing operations</b>	<b>0</b>	<b>(1,909)</b>
Other comprehensive income	0	0
<b>Total comprehensive income / (loss)</b>	<b>0</b>	<b>(1,909)</b>
<b>Share of BCI JV loss for the year</b>	<b>0</b>	<b>(954)</b>

The information above reflects the amounts, recognised post distribution of assets, presented in the financial statements of the BCI JV, and not EA Networks Limited share of those amounts.

	2019 \$000	2018 \$000
<b>Reconciliation of summarised financial income</b>		
Opening net assets	0	14,122
Capital contributions made by BCIL in the year.	0	0
Capital contributions made by EA Networks	0	0
Total comprehensive income	0	(954)
Revaluation reserve	0	(1,800)
Adjustment	0	(1)
Share of JV sold	0	(11,367)
<b>Closing net assets</b>	<b>0</b>	<b>0</b>
Interest in joint venture' (50%)	0	0
<b>Carrying value</b>	<b>0</b>	<b>0</b>

## 20 Financial instruments

The Company is exposed to several financial risks: foreign exchange risk, interest rate risk, credit risk and liquidity risk. The Company focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance. The major area of financial risks faced by the Company and the information on the management of the related exposures are detailed below:

	Financial assets at amortised cost \$000	Financial assets at fair value through profit or loss \$000	Financial liabilities at fair value through profit or loss \$000	Financial liabilities at amortised cost \$000
<b>Assets as per Statement of Financial Position as at 31 March 2019</b>				
<i>Current Assets</i>				
Cash and Cash equivalents	91	-	-	-
Trade receivables	5,456	-	-	-
Derivative financial instruments	-	-	-	-
<i>Non-Current Assets</i>				
Derivative financial instruments	-	39	-	-
<b>Total</b>	<b>5,547</b>	<b>39</b>	<b>-</b>	<b>-</b>
<b>Liabilities as per Statement of Financial Position as at 31 March 2019</b>				
<i>Current Liabilities</i>				
Trade and other payables	-	-	-	4,071
Borrowings	-	-	-	23,300
Derivative financial instruments	-	-	112	-
<i>Non-Current Liabilities</i>				
Borrowings	-	-	-	31,290
Derivative financial instruments	-	-	1,333	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>1,445</b>	<b>58,661</b>
<b>Assets as per Statement of Financial Position as at 31 March 2018</b>				
<i>Current Assets</i>				
Cash and Cash equivalents	210	-	-	-
Trade receivables	5,444	-	-	-
Derivative financial instruments	-	-	-	-
<i>Non-Current Assets</i>				
Derivative financial instruments	-	149	-	-
<b>Total</b>	<b>5,564</b>	<b>149</b>	<b>-</b>	<b>-</b>
<b>Liabilities as per Statement of Financial Position as at 31 March 2018</b>				
<i>Current Liabilities</i>				
Trade payables	-	-	-	3,853
Derivative financial instruments	-	-	54	-
<i>Non-Current Liabilities</i>				
Borrowings	-	-	-	59,050
Derivative financial instruments	-	-	964	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>1,018</b>	<b>62,903</b>

## 20 Financial instruments (continued)

### Cash and Cash Equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, and which are subject to an insignificant risk of changes in value.

### Foreign exchange risk

The Company has no foreign exchange contracts in place or exposure to foreign exchange risk at 31 March 2019 or 31 March 2018.

### Interest rate risk

The Company has external long-term funding arrangements that exposes it to interest rate risk. To manage interest rate risk, we use swaps and caps and a treasury policy.

### Credit risk

The Company has exposure to credit risk with eighteen electricity retailers' who have more than 80% of the total trade receivables balance. Credit risk with each of these customers is managed by the prudential requirements in the use of system agreement.

The Company's historical records associated with the collection of trade receivables gives Directors the belief that no additional credit risk beyond the amounts provided for doubtful debts is required in the Company's trade receivables.

The Company has a policy of holding cash in minimal quantities and spreading investments between registered trading banks, where the possibility of these institutions failing is considered remote.

The maximum exposure to credit risk is the disclosed carrying values of cash, cash equivalents and accounts receivable. No security is held on any of these items. Further disclosures on accounts receivable are outlined in Note 10.

### Liquidity risk

This represents the Company's ability to meet its financial obligations on time. The Company generates sufficient cash flows from its operating activities to make timely payments. It does however maintain committed credit lines to cover any shortfalls.

	2019 \$000	2018 \$000
<b>External short-term funding arrangements</b>		
Overdraft facility - BNZ	500	500
Visa – BNZ	20	20
<b>External long-term funding</b>		
<i>Maturing less than 12 months</i>		
Westpac multi option credit line facility	42,000	0
<i>Maturing greater than 12 months</i>		
Westpac multi option credit line facility	0	42,000
Revolving credit facility with BNZ	50,000	50,000
<b>Total long-term funding available</b>	<b>50,000</b>	<b>92,000</b>
<b>Contractual performance bonds</b>		
Dollar value of bonds in place with Westpac	162	162
Number of bonds in place with Westpac	5	5

Short and long-term funding is secured by a negative pledge over assets. Westpac have indicated that their multi option credit line facility will be renewed.

The following table identifies the periods in which financial instruments will mature, that are subject to interest rate risk, re-pricing, and the effective rate at balance date.

Interest rate spread associated with SWAPS and CAPS in place				
	Less than 6 months	6-12 months	1-2 years	2-5 years
	\$000	\$000	\$000	\$000
<b>2019</b>				
Maturity of swaps and caps in place	1,500	18,000	0	27,500
<i>Interest rate</i>				
From	4.56%	3.20%	0%	4.08%
To	4.56%	5.27%	0%	5.65%
<b>2018</b>				
Maturity of swaps and caps in place	3,000	6,500	18,000	30,500
<i>Interest rate</i>				
From	4.43%	3.79%	3.74%	3.88%
To	4.48%	3.90%	4.90%	5.30%

By managing interest rate risk, the Company aims to moderate the impact of short term fluctuations in interest rates. Over the longer term, changes in rates will have an impact on profit.

#### Liquidity forecast

The Company policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash, readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The table below analyses the financial liabilities into relevant maturity groupings based on the remaining period at balance date to the contractual maturity date.

Maturity of long-term of external funding and associated interest cost				
	6 months and less	6-12 months	1-2 years	2-5 years
	\$000	\$000	\$000	\$000
<b>2019</b>				
Locked in interest cost on principal from now to maturity	1,307	786	1,568	825
Principal repayment	23,300	0	13,290	18,000
Effective Total	24,607	786	14,858	18,825
<i>Interest rates on principal due</i>				
From	3.74%	4.17%	4.17%	4.08%
To	5.65%	5.27%	5.27%	5.15%
<b>2018</b>				
Locked in interest cost on principal from now to maturity	1,295	1,288	907	2
Principal repayment	0	0	38,500	20,550
Effective Total	1,295	1,288	39,407	20,552
<i>Interest rates on principal due</i>				
From	3.74%	3.74%	3.74%	3.74%
To	5.30%	5.30%	5.30%	5.30%

Long-term funding maturity dates		
Westpac multi option credit line facility	30 September 2019	42,000,000
BNZ		
Revolving credit facility	1 April 2020	17,000,000
Revolving credit facility	1 April 2021	17,000,000
Revolving credit facility	1 April 2022	16,000,000

There are no current indications that these loan facilities will not be renewable as and when they mature in future

## 20 Financial Instruments (continued)

### Capital risk management

The Company's objective when managing capital is to safeguard the ability to continue as a going concern in order to provide returns to shareholders, consumers, and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. Total capital is calculated as total equity including members' interests plus total borrowings as shown in the balance sheet. The Company is subject to the following externally imposed capital requirements, which are measured at balance date, which the Company fully complies with.

*Interest Coverage:* Earnings before interest, tax, and rebate / Interest. Coverage of which is to be greater than or equal to 3.5.

*Shareholder Funds Ratio:* Total Shareholder Funds to be maintained in excess of 45% of Total Tangible Assets.

### Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

Net debt	2019 \$000	2018 \$000
Cash and cash equivalents	91	210
Liquid investments	0	0
Borrowings – repayable within one year*	(23,300)	0
Borrowings – repayable after one year (including overdraft)	(31,290)	(59,050)
<b>Net debt</b>	<b>(54,499)</b>	<b>(58,840)</b>
Cash and liquid investments	91	210
Gross debt – fixed interest rates	0	0
Gross debt – variable interest rates	(54,590)	(59,050)
<b>Net debt</b>	<b>(54,499)</b>	<b>(58,840)</b>

\*The \$23.3 Million borrowings due within one year, relates to the amount drawn down against the Westpac facility. Westpac has indicated that this facility will be renewed before its maturity date of 30 September 2019. As at 31 March 2019, \$18.8 Million of the Westpac debt was covered by the undrawn headroom within BNZ facility at balance date.

	Other Assets		Liabilities from financing activities		Total \$000
	Cash/bank overdraft \$000		Borrowings due within 1 year \$000	Borrowings due after 1 year \$000	
<b>Net debt as at 1 April 2017</b>	<b>27</b>		<b>0</b>	<b>(89,000)</b>	<b>(88,973)</b>
Cash flows	183		0	29,950	30,133
<b>Net debt as at 31 March 2018</b>	<b>210</b>		<b>0</b>	<b>(59,050)</b>	<b>(58,840)</b>
Cash flows	(119)		(23,300)	27,760	4,341
<b>Net debt as at 31 March 2019</b>	<b>91</b>		<b>(23,300)</b>	<b>(31,290)</b>	<b>(54,499)</b>

## 21 Fair value hierarchy for derivatives

### Fair value hierarchy for derivatives as at 31 March 2019

	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
<b>Financial assets at fair value through the Statement of comprehensive income</b>				
Interest rate swaps and caps	0	39	0	39
<b>Total assets</b>	<b>0</b>	<b>39</b>	<b>0</b>	<b>39</b>
<b>Financial liabilities at fair value through the Statement of comprehensive income</b>				
Interest rate swaps and caps	0	1,445	0	1,445
<b>Total liabilities</b>	<b>0</b>	<b>1,445</b>	<b>0</b>	<b>1,445</b>

## 21 Fair value hierarchy for derivatives (Continued)

### Fair value hierarchy for derivatives as at 31 March 2018

	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
<b>Financial asset at fair value through the Statement of comprehensive income</b>				
Derivatives used for hedging				
Interest rate swaps and caps	0	149	0	149
Total assets	0	149	0	149
<b>Financial liabilities at fair value through the Statement of comprehensive income</b>				
Derivatives used for hedging				
Interest rate swaps and caps	0	1,018	0	1,018
Total liabilities	0	1,018	0	1,018

The Company relies on the fair valuation of derivatives from Trading Banks that the derivatives have been placed with. The fair valuation represents the value which the derivative could be sold for at balance date.

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included in Level 1 that are observable for the assets or liabilities, either directly (i.e. prices) or indirectly (i.e. derived from prices).

Level 3: inputs from assets or liabilities that are not based on observable market data (unobservable inputs)

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

### Accounting policies relating to financial instruments

#### **Classification**

The Company has financial instruments which are classified in the following categories: financial assets at fair value through profit and loss, financial liabilities at fair value through profit or loss, loans and receivables and financial liabilities at amortised cost.

#### **Recognition**

Financial instruments are recognised in the statement of financial position when the Company becomes party to a financial contract. They include cash and cash equivalents, bank overdrafts, receivables, derivatives and payables, and term borrowings.

#### **Other Financial Assets or Liabilities**

The Company is also party to financial instruments to meet financing needs and to reduce exposure to fluctuations in foreign currency exchange rates. These financial instruments include bank overdraft facilities, derivatives, contractors' bonds and foreign currency forward exchange contracts.

#### **Interest rate swaps and caps**

Interest rate swaps and caps are included as 'derivative financial instruments' on the statement of financial position and classified as movements in derivatives associated with financing through the Statement of comprehensive income.

#### **Borrowings**

Borrowings are initially recognised at fair value plus transaction costs incurred, and are subsequently recorded at amortised cost.

Borrowings are recognised as current liabilities unless the Company has an unconditional right to defer settlement of the liability at least 12 months after balance date (financial liabilities at amortised cost).

The Company has borrowings with Westpac Banking Corporation and the Bank of New Zealand, all of which are secured by a negative pledge over assets



**22 Operating leases**

	2019 \$000	2018 \$000
<b>Lessee</b>		
Not later than 1 year	1,240	1,248
Later than 1 year and not later than 5 years	4,864	4,934
Later than 5 years	11,876	13,173
<b>Lessor</b>		
Not later than 1 year	249	255
Later than 1 year and not later than 5 years	999	1,019
Later than 5 years	2,876	3,186

**Accounting policies concerning leases**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Statement of comprehensive income on a straight-line basis over the period of the lease.

**23 Capital commitments**

	2019 \$000	2018 \$000
<b>EA Networks</b>		
Electricity distribution network	1,211	1,141
Land, buildings, chattels & office equipment	0	304
Vehicles & contracting equipment	52	305
Communication network	0	64
<b>Total capital commitments</b>	<b>1,263</b>	<b>1,814</b>

**24 Contingent Liabilities**

EA Networks has no contingent liabilities.

**25 Key Management Personnel Compensation**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director of that entity.

The compensation of executives being the key management personnel of the Company is set out below:

	2019 \$000	2018 \$000
Short term employment benefits	1,231	1,135
Post-employment benefits	0	0
Long term benefits	0	0
Termination benefits	8	16
<b>Outstanding benefits at balance date</b>		
Long term benefits outstanding	0	0
Termination benefits outstanding	119	112

**26 Subsequent Events**

There are no other events subsequent to balance date that would materially affect these financial statements.

**Profit-Oriented**

EA Networks is the trading name for Electricity Ashburton Limited, a profit-oriented Co-operative Company registered under the Co-operative Companies Act 1996 and domiciled and incorporated in New Zealand.

**Statement of Compliance**

The financial statements of EA Networks have been prepared in accordance with New Zealand Generally Accepted Accounting Practices (NZ GAAP).

The financial statements comply with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and IFRS, and other applicable reporting standards as appropriate for a profit-oriented Company.

The Company has adopted External Reporting Board Standard A1 Accounting Standards Framework (For-profit Entities Update) ('XRB A1') for both years contained in these financial statements. The Company meets the criteria of a Tier 1 entity under XRB A1 and is reporting in accordance with Tier 1 For-profit Accounting Standards. EA Networks has previously applied full NZ IFRS in its financial statements which continues to be a requirement for Tier 1 entities.

The financial statements are for Electricity Ashburton Limited trading as EA Networks as a separate legal entity.

**Functional and presentation currency**

The Company's Financial Statements are presented in New Zealand dollars, which is the Company's functional and presentation currency.

**Measurement base**

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain assets as identified in specific accounting policies below.

**Use of estimates and judgements**

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in future periods affected.

Information about significant areas of estimated uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

*Capital and Operating Expenditure*

We make judgements about whether costs incurred should be capitalised or expensed. EA Networks assesses whether assets are impaired by looking at key factors such as return on investments. We apply assumption when assessing impairment.

*Other areas of judgement*

Other areas of judgement include estimating: useful lives of assets, credit impairment provision, unrecoverable work in progress, provision for employee benefits, revaluation of interest rate swaps and caps, income tax, deferred tax and network reliability measures

**Specific Accounting Policies**

**Dividends** a provision is made for any dividend declared on or before the end of the financial year but not distributed at balance date. Dividend distribution to the Company shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's directors. No dividends were declared in 2019 or 2018.

**Goods and Services Tax (GST)** the statement of comprehensive income has been prepared so that all components are stated exclusive of GST. All items in the balance sheet are stated net of GST, apart from receivables and payables, which include GST invoiced.

## NZ IFRS 15 revenue retrospective restatement

	2018 Disclosed \$000	Restatement	2018 Restated \$000
<b>Statement of comprehensive income</b>			
Operating revenue	54,304	201	54,505
Consumer discount	0	(2,858)	(2,858)
Operating revenue after consumer discount	54,304	(2,657)	51,647
Operating expenses	(26,648)	0	(26,648)
Interest and associated costs	(3,768)	0	(3,768)
Depreciation and amortisation	(9,281)	(141)	(9,422)
	14,607	(2,798)	11,809
Customer deferred discount	(2,858)	2,858	0
Preferential right and share of JV	230	0	230
Taxation	(3,718)	(17)	(3,735)
Operating surplus after taxation	8,261	43	8,304
Other comprehensive income	17,499	0	17,499
<b>Total comprehensive income</b>	<b>25,760</b>	<b>43</b>	<b>25,803</b>
<b>Statement of financial position</b>			
Equity and members' interest	179,590	3,732	183,322
Current assets	11,328	0	11,328
Non-current assets	258,810	5,183	263,993
Total assets	270,138	5,183	275,321
Current liabilities	6,057	0	6,057
Non-current liabilities	84,491	1,451	85,942
Total liabilities	90,548	1,451	91,999
Net Assets	179,590	3,732	183,322
<b>Statement of cash flows</b>			
Cash flows from operating activities	20,822	201	21,023
Cash flow from investing activities	9,399	(201)	9,198
Cash flow from financing activities	(30,038)	0	(30,038)
Cash and cash equivalents at the start of the year	27	0	27
Cash and cash equivalents at the end of the year	210	0	210

EA Networks adopted NZ IFRS 15 revenue from contracts with customers on 1 April 2018, resulting in capital contributions being classed as revenue from contracts with customers. Prior to the adoption of NZ IFRS 15 capital contributions, since 1 April 2011, had been offset against the related assets. EA Networks has used the full retrospective approach, resulting in the restatement of the 2017 opening balances upon adoption of NZ IFRS 15. This restatement, above, reflects the change in the historical treatment of capital contributions to meet the requirements of NZ IFRS 15.

## 27 Other accounting policies (continued)

### New Standards and Interpretations not yet adopted

Certain new standards, amendments and interpretations of existing standards have been published that are mandatory for later periods and which the Company has not early adopted. These will be applied by the Company in the mandatory periods listed below. The key items applicable to the Company are:

#### *NZ IFRS 16: Leases (Effective date: periods beginning on or after 1 January 2019)*

We will be adopting NZ IFRS 16 from 1 April 2019, with our first reporting period under the standard being 31 March 2020. Currently EA Networks have several new investment contracts with Transpower, disclosed under the lease note, which will meet the requirements of NZ IFRS 16.

#### *Our leasing activities and how they will be accounted for from 1 April 2019*

EA Networks has entered into new investment agreements with Transpower enabling the construction of assets at the Ashburton GXP. Under the terms of new investment agreement EA Networks has the right to use the leased asset over their economic life.

The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purpose.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by EA Networks. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments

- fixed payments (including in-substance fixed payments), less any lease incentives receivables
- variable lease payments that are based on an index or a rate
- amounts expected to be payable by the leases under residual value guarantees
- the exercise price of a purchase option if the lease is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the leases exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the group's incremental borrowing rate.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability
- Any lease payments made at or before the commencement date, less any lease incentives received
- Any initial direct costs, and
- Restoration costs

#### *Discount rates*

The discount rate applied to long term assets reflects the explicit rate defined in the lease agreement when it is known. When the discount rate is not explicitly stated in the lease agreement the discount rate used is EA Networks borrowing costs.

#### *How we will account for short term leases from 1 April 2019*

Payments associated with short-term lease and of low-value assets are recognized on a straight-line basis as an expense in the statement of comprehensive income. Short term leases are lease with a lease term of 12 months or less. Low value assets comprise IT-equipment, low value electricity network items and office equipment.

## 27 Other accounting policies (continued)

### New Standards and Interpretations not yet adopted (continued)

Other useful information concerning how we will account for leases from 1 April 2019

Extension and termination options  
Currently no leases have extension or termination options.

#### Transition provision associated with NZ IFRS 16

In accordance with the transition provisions in NZIFRS 16 we do not intend to restate the 2018 previously disclosed operational leases as financial leases. The leases will be measured at the present value of the remaining leases payments, discounted using the implicit interest rate associated with the new investment contracts.

The right to use assets will be measured on a retrospective bases, with the discount rate defined in the lease agreement being applied.

#### How NZ IFRS 16 will impact EA Networks financial reporting

NZ IFRS 16 will have a material effect on EA Networks. The following table shows the financial impact of the new stand as if it was adopted from 1 April 2019.

	After adoption of NZ IFRS 16	Adoption impact	Before adoption of NZ IFRS 16
	\$000	\$000	\$000
<b>Statement of comprehensive income</b>			
Operating Revenue	51,953	0	51,953
Consumer discount	(2,883)	0	(2,883)
Operating expenses	(20,604)	1,239	(21,843)
Interest and associated costs	(4,055)	(770)	(3,285)
Depreciation & amortisation	(10,489)	(340)	(10,149)
Operating surplus before taxation	13,922	129	13,793
Taxation	(3,717)	0	(3,717)
Total comprehensive income	10,205	129	10,076
<b>Statement of changes in equity and members interest</b>			
Equity and members interest	190,855	(2,542)	193,397
Current asset	12,312	0	12,312
Non-current assets			
Right to use asset*	8,678	8,678	0
Other non-current assets	271,800	0	271,800
Total non-current asset	280,478	8,678	271,800
Current liabilities			
Lease liabilities	1,237	1,237	0
Other current liabilities	30,606	0	30,606
Total current liabilities	31,843	1,237	30,606
Non-current liabilities			
Lease liabilities	9,427	9,427	0
Other non-current liabilities	32,623	0	32,623
Deferred income tax liabilities	28,042	556	27,486
Total non-current liabilities	70,092	9,983	60,109
Net assets	190,855	(2,542)	193,397
<b>Statement of cash flows</b>			
Cash flows from operating activities			
Payments to suppliers and employees	(20,992)	1,239	(22,231)
Other items	45,247		45,247
Net cash flow from operating activities	24,255	1,239	23,016
Net cash flows from investing activities	(18,580)	0	(18,580)
Cash flows from financing activities			
Lease payments	(1,239)	(1,239)	0
Other financing activities	(4,555)	0	(4,555)
Net cash flows from financing activities	(5,794)	(1,239)	(4,555)
Net decrease in cash held	119	0	119

\*Right to use assets are made up of Electricity network assets and depreciated over their useful life's

**27 Other accounting policies (continued)**  
**New Standards and Interpretations not yet adopted (continued)**

*Leases not reflected within the estimated impact of NZ IFRS 16 adoption*

EA networks have several other long- and short-term leases, concerning substation leases and rail corridor access rights. The combined lease value of which is about \$40,000 a year. Due to low value of the lease they have not been included in the estimated impact of NZ IFRS 16.

**Changes in Accounting Policies**

Other than those due to new standards or amendments and the treatment of capital contributions there have been no changes in accounting policies. All policies have been applied on a basis consistent with those used in the prior year.

# Directors' Report

## Trading Name

EA Networks is the trading name of Electricity Ashburton Limited.

## Principal Activities

EA Networks principal activities are:

- Development, operation and maintenance of an electricity distribution and communication network.
- Contracting electrical construction and maintenance services for distribution networks and end users.
- Investment in other infrastructural assets such as:
  - Energy utilisation enhancement projects
  - Communication Network

## Annual Resolution (Section 10 of Co-operative Companies Act 1996)

The Directors of EA Networks unanimously resolved on 29 May 2019 that in the opinion of the Directors for the year ended 31 March 2019, Electricity Ashburton Limited has been a Co-operative Company.

## Corporate Governance

### Role of the Shareholders Committee

The Shareholders Committee has four members directly elected by rebate shareholders (Consumers) and three members appointed by the deferred shareholder, the Ashburton District Council. The specific duties of the Shareholders Committee are to: appoint the Directors of the Company, receive the annual Statement of Corporate Intent and to report on a regular basis to shareholders on the performance of the Company.

### Role of the Board

The Board of Directors is appointed by the Company's Shareholders Committee which provides the essential link between shareholders and the Company.

The Board directs the affairs of the Company and supervises the management of the business. Their prime responsibility is setting the strategic direction of the Company, establishing goals and monitoring performance with a view over time to enhance the prosperity of the Company and its shareholders.

The Board discharges this responsibility through effective leadership, by enabling and encouraging an environment for innovation and being responsive to any need for "change".

The Board seeks to maintain a balance between conformance and performance, dynamic strategic leadership, and to ensure governance best practice systems, procedures, policies and guidelines are in place.

### Board evaluation process

The Board carries out a structured Director and Board evaluation process on a periodic basis.

### Board operation

The operation of the Board is governed by the Company's constitution and the 'Directors Corporate Governance Manual'.

The Directors Corporate Governance Manual sets out the responsibilities, code of conduct and expectations from each Director and members of the executive team of EA Networks.

## **Board Chairperson**

The Board Chairperson is elected by board members and has a leadership role in the conduct of the Board and its relationship with the shareholders committee and the Company's other major stakeholders. The Chairperson maintains a professional relationship with the Company's CEO, and through him, the Company's management team.

## **Board meetings**

The Board meets a minimum of 10 times a year. Additional meetings are convened as and when required.

Meetings are governed by a formal policy which sets when, where and how meetings are to be held. Directors receive a formal agenda and regular papers in advance of meetings.

Executive managers are regularly involved in board discussions. Directors also have other opportunities to gain information and expert advice in relation to the Company and its operation.

## **Board Charter**

The Board operates under a formal charter which sets out the objectives and responsibilities of the Board. Contained within the charter is the relationship between and responsibilities of the Board, Shareholder Committee and the CEO.

The Charter allows for the Board to establish committees to assist with the Board responsibilities.

## **Board Committees**

### **Audit and Finance Committee**

The objectives of the Audit and Finance Committee is to assist the Board to fulfil its statutory & fiduciary responsibilities by providing objective, non-executive review of the effectiveness of the external reporting of financial information, and the internal control environment of the company, including obtaining an understanding of the tax & financial risks which effect the Group.

To do this, the committee will:

- Provide oversight of accounting policies and professional accounting requirements
- Provide oversight of internal & external audit functions
- Provide oversight of all statutory regulatory requirements.
- Provide oversight of the internal control environment.

The existence of the Audit Committee does not remove responsibility from the Board for duties which have been delegated to the Committee, or the need for the Board to monitor that delegation.

### **Risk Committee**

The committee purpose is to assist the Board to:

- Formulate its risk appetite, at least annually.
- Understand the risks that EA Networks face for each of these types of risks: market, insurance, assets & asset management, operational, cyber security regulatory and reputational, except:
  - Tax & financial risks which will be similarly covered by the Audit and Finance Committee.
  - Strategic risks which will be governed by the full Board with input from all Committees.
- Ensure that all policies and decisions are made in accordance with EA Networks corporate values and guiding principles.



## Governance and Remuneration Committee

The purpose of the Governance and Remuneration Committee:

- To oversee a formal and transparent method of recommending director remuneration to shareholders.
- To assist the board in establishing remuneration policies and practices for the company and in discharging its responsibilities for reviewing and setting the remuneration of the Chief Executive of EA Networks and senior executives.
- To assist the board in reviewing the board's composition and the competencies required of prospective directors, identifying prospective directors, developing succession plans for the board and making recommendations to the Shareholders Committee accordingly.
- To ensure that the Company maintains best practice corporate governance.

## Health and Safety Committee

The board is responsible for approving and overseeing the planning, delivering, monitoring and reviewing, of EA Networks' Health and Safety and Environment programme. Under the Boards charter all board members are health and safety champions of the Company. The Board is totally committed to keep safe all persons working for the company. To discharge this responsibility, the Health and Safety Committee acts as the interface between management and the board regarding issues associated with health and safety. The function of the Health and Safety Committee is:

- To set clear expectation that the organisation has a fit-for-purpose health and safety management system.
- To exercise due diligence to ensure that the system is fit-for-purpose, effectively implemented, regularly reviewed and continuously improved.
- To be sufficiently informed about the generic requirements of a modern, 'best practice' health and safety management system and about their organisation and its risks to know whether its system is fit-for-purpose, and effectively implemented.
- To ensure sufficient resources are available for the development, implementation and maintenance of the system.

## Directors

At the 2018 Annual General Meeting Messrs G Leech and R Fitzgerald retired by rotation. Mr G Leech did not seek re-appointment. It was the unanimous decision of the Shareholders Committee to reappoint Mr R Fitzgerald for a further three-year term. Mr A Barlass was appointed to the board for a three-year term.

## Directors' Remuneration

Directors, who held office during the year, received the following remuneration for their services:

	Chairman	Deputy Chairman	Committee Chairs	Directors	Total
G Leech^	34,337				34,337
P McKendry	48,663	17,375			66,038
P Munro			5,000	42,000	47,000
A Barlass*				24,625	24,625
R Sutton			3,400	42,000	45,400
B McPherson			3,400	42,000	45,400
R Fitzgerald			3,400	42,000	45,400
	<b>83,000</b>	<b>17,375</b>	<b>15,200</b>	<b>192,625</b>	<b>308,200</b>
Payments to members of the Shareholders Committee					<b>57,680</b>
Total as per note 3 of the financial statements					<b>365,880</b>

\*Mr Barlass was appointed on 29 August 2018

^Mr Leech retired on 29 August 2018

## Interests Register

### Directors' Interests

The Company maintains an interest register in which certain transactions and matters involving Directors must be recorded. EA Networks Directors may also be Director, Trustee or members of other organisations who transact with the Company from time to time on normal trade/commercial terms. There were no material transactions recorded in the Directors interest register during the accounting period.

### Interested Transactions

No material transactions involving Directors' interests were entered into during the financial year.

### Directors' Indemnity and Insurance

The Company has indemnified directors and employees against all liabilities to persons (other than the Company) which arise out of the performance of their normal duties as director or executive officer unless the liability relates to conduct involving a lack of good faith or criminal offense. Directors' and officers' liability insurance to a value of \$10 million has been affected to cover such risks.

### Employee Remuneration

The number of employees whose total remuneration including non-cash benefits was over \$100,000 during the year ended 31 March 2019 are specified in the following bands:

Salary Band	Number of staff	Salary Band	Number of staff	Salary Band	Number of staff
\$100,000 - \$110,000	11	\$140,000 - \$150,000	3	\$210,000-\$220,000	2
\$110,000 - \$120,000	8	\$150,000 - \$160,000	3	\$230,000-\$240,000	1
\$120,000 - \$130,000	6	\$160,000 - \$170,000	1	\$360,000-\$370,000	1
\$130,000 - \$140,000	7	\$190,000 - \$200,000	1		

A number of executive employees also receive the use of a Company motor vehicle.

### Use of Company Information

During the year, the Board did not receive any notices from Directors requesting the use of Company information, received in their capacity as Directors, which could not otherwise have been available to them.

### Donations

There were no donations made during the financial year.

### Audit Fees and Other Services

Details of audit fees and other services, paid to PricewaterhouseCoopers are as follows:

	2019	2018
Regulatory consulting and other services	\$49,205	\$48,176
Financial statement audit related services	\$54,875	\$36,000
Regulatory compliance audits	\$84,500	\$61,707

**Loans or Guarantees**

There were no loans made or guarantees given by the Company to Directors or their associates.

**Financial Statements**

The owners of EA Networks or others have no power to amend the financial statements after issue.

For and on behalf of the Board



.....  
Director



.....  
Director

1 July 2019



## *Independent auditor's report*

To the shareholders of Electricity Ashburton Limited (trading as "EA Networks")

We have audited the financial statements which comprise:

- the statement of financial position as at 31 March 2019;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity and members' interests for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include the significant accounting policies.

### *Our opinion*

In our opinion, the accompanying financial statements of Electricity Ashburton Limited (trading as "EA Networks") (the Company), present fairly, in all material respects, the financial position of the Company as at 31 March 2019, 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).

### *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.

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

We are independent of the Company. Our firm carries out other services for the Company in the areas of compliance with regulatory requirements of the Commerce Act 1986, tax pooling, Directors' fee benchmarking and the provision of regulatory update advisory services. The provision of these other services has not impaired our independence as auditor of the Company.

### *Information other than the financial statements and auditor's report*

The Directors are responsible for the annual report. Our opinion on the financial statements does not cover the other information included in the annual report and we do not express any form of assurance conclusion on the other information.

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



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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.

In preparing the financial statements, the Directors are responsible for assessing the Company'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 Company 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-8/>

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 shareholders, as a body. 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 shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

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The engagement partner on the audit resulting in this independent auditor's report is Elizabeth Adriana (Adri) Smit.

For and on behalf of:

A handwritten signature in black ink that reads 'PricewaterhouseCoopers'.

Chartered Accountants  
2 July 2019

Christchurch