



Annual Report 2019

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15
KV.
ABB
EA
15kVA
30673205
22kv



Chairman's Report

It is a pleasure to write to you in my first report as Chairman in what has been a positive and successful year for the company. We continue significant investment in the network, modernisation of our systems and returning discounts to you, our customer shareholders.

We have had a successful year financially, delivering good stable results. We were pleased to announce a discount pool of more than \$2.9 million that has been paid out to our customer shareholders. This has been paid in the form of a discount on customers' retail power accounts, based on their electricity line charges paid throughout the year.

Our network engineering team remains focused on developing strategies and network capabilities with the future needs of our customer in mind. To that end, we've continued to provide reliable and resilient network infrastructure which supports our customers' daily lives, whether at home, in the workplace or on the farm. A significant project, undergrounding the 66kV sub-transmission line through Ashburton, is well advanced. This continues our urban undergrounding program that delivers greater reliability, improved road safety and general aesthetics in the town areas, which we know the community appreciates.

We have had a successful year financially, delivering good stable results. We were pleased to announce a deferred discount pool of more than \$2.9 million that has been paid out to our customer shareholders.

How we manage our network outages has also evolved in the last 12 months, with a substantial investment being made into the development of our Advanced Distribution Management System software platform. This ongoing development will enable increased capabilities for planning, managing and communicating planned and unplanned outages both internally and with our customers. It will also enable us to resolve outage issues more quickly when they occur, with improved diagnosis tools.

The 2019/2020 financial year will see an increase in Transpower's transmission costs, resulting in customers experiencing higher electricity costs. The increase was the result of high peak energy demand over the hot and dry summer of 2017/2018, followed by a mild winter. Industry regulations require Transpower to use peak energy demand to allocate costs to each region across New Zealand. When peaks occur during summertime, our high network demand relative to our neighbouring networks drives greater costs into Mid Canterbury.

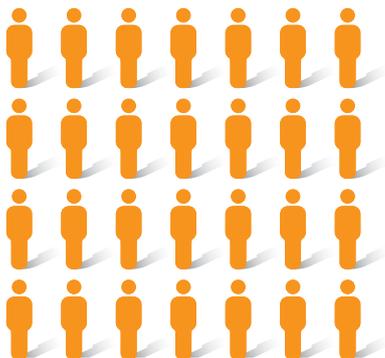
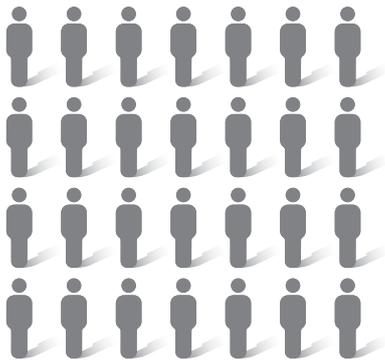
The company has been working on behalf of customers to help tackle this issue head on, both at a regulatory level as well as local. We have projects underway with those customer groups most affected to develop means of mitigating their exposure to the volatile Transpower pricing.

While retailer and regulatory pricing increases are beyond our control, we are constantly reviewing pricing and regulations as they affect our business and are working for the best interests of our customers.

The progress and success we've achieved in the past year would not be possible without the hard work and dedication of our people. EA Networks staff remain committed to keeping the lights on and the web connected in Mid Canterbury every day of the year. Our reputation and success is due to their ongoing dedication and I, with my fellow directors, would like to thank them for the important role they play in our business. I also thank my fellow directors for their contribution to our organisation and our local community. We look forward to the year ahead and will continue working hard to deliver first class services to you and our region.

PHILIP MCKENDRY
Board Chairman

EA Networks, our people & you



CUSTOMER SHAREHOLDERS

EA Networks is a co-operative company. Every customer that is connected to the electricity network is entitled to be a shareholder of the company and enjoy the benefits that ownership brings. Each shareholding comprises 100 shares valued at \$1 each (total \$100).

The company never requires direct payment for these shares. Instead, when any discount is paid, the monies are first applied to the shareholder's account. Once the shares are fully paid (\$100), any future discounts or distributions will appear as a credit on the customer's retail electricity account. When customers disconnect from the electricity network they can claim back the value of their shares (up to \$100).

SHAREHOLDERS COMMITTEE

Representing the interests of all shareholders, the Shareholders Committee consists of seven members. Four are voted on by shareholders with the remaining three appointed by the Ashburton District Council. Key responsibilities include; appointing directors, scrutinising the Statement of Corporate Intent and monitoring the performance of the company on behalf of shareholders.

BOARD OF DIRECTORS

The Board of Directors is appointed by the Shareholders Committee. There are six directors with two directors retiring by rotation every year. Directors are responsible for governance and setting the strategic direction of the business. The board meet monthly.

MANAGEMENT & STAFF

Together with the Chief Executive, four senior managers are responsible for the operations of the business. More than 125 staff support these operations including; field services, electrical engineering, project management, administration and support.

Business Report

Electricity in a changing climate

New Zealand's commitment to significantly reducing the amount of carbon released into the atmosphere has tangible targets following our signing of the Paris Agreement. This agreement aims to limit the global temperature increase to 1.5 to 2 degrees centigrade above pre-industrial levels in this century.

What this means for the future of our electricity industry is that demand is set to grow. The way our customers are consuming power is changing and Mid Cantabrians are becoming even more reliant on our region's modern, reliable and sustainable electricity network.

Our region's dependency on electricity is growing as consumers and businesses are changing from coal, gas and oil to electric equivalents. Reducing carbon emissions with electrically powered machinery is also becoming more important to an increasing number of industries and businesses.

The switch of personal and transport fleets to electric vehicles is another factor which is likely to add significantly to the demand for electricity in our region over time.

At EA Networks, we're embracing the changes to our industry and the way our customers consume electricity, while not losing sight of the importance of reliably delivering electrical energy to every home and business in our region.



Charging ahead with EVs

The electric vehicle movement has begun. The concept of powering a motor vehicle with 80% renewable electricity while reducing vehicle carbon emissions by 80% is catching on with more and more New Zealanders. Whilst still considered expensive upfront, Electric Vehicles (EVs) are increasing in number as more global manufacturers bring these into their fleets. As volume grows we expect prices to decline. EVs are already cheaper to run, both in terms of maintenance costs and running costs (equivalent to buying petrol at about 30 cents per litre).

EA Networks has been supporting the switch to EVs since April 2017, when we installed Mid Canterbury's very first EV Rapid Charging station on SH1 (West Street) in Ashburton. Since then, an EV charging station has also been installed in Rakaia. This year we were pleased to open a new Rapid Charge station in Methven, at the i-Site Visitor Information Centre. As with our other Rapid Charge stations, the site was chosen for its proximity to the town centre, local amenities and accessibility of parking.

Our Rapid Charge Stations have proven popular with locals and travellers alike. Equipped with a solar panel and wind turbine to power LED lighting above, the average time spent at stations is 25 minutes, with many travellers grateful to have stopping points on their journeys.

With plans to complete installation of a second Rapid Charging station in Ashburton in the near future, EA Networks is proud to be an innovation leader for our community at the starting point of the electric vehicle movement.

We are strongly supportive of the increasing uptake of electric vehicles. As manufacturers continue to create vehicles with longer ranges and larger batteries, we'll be working to ensure continued reliable delivery of energy for charging the growing fleet.

A lighter brighter Ashburton

Starting in 2018, our Field Services team has been working with the Ashburton District Council on an LED upgrade project for council-owned streetlights throughout Ashburton. The transition from standard streetlights to new, more powerful LEDs, provides a longer-lasting, brighter light which enhances safety around Ashburton streets and homes.

With work now complete in Ashburton, Methven, Hinds, Tinwald and Rakaia, residents have already begun to comment on how nicely lit up and bright their streets appear now. Our team is proud that we can partner with the Council to deliver improvements to local infrastructure which supports safety and visibility within our community.

We are committed to enabling choice and better pricing to our region through greater competition.



Business Report – continued

Ultra-fast Fibre at Lake Hood

EA Networks has spent the past 10 years strategically laying more than 520km of urban and rural fibre throughout Mid Canterbury.

From July to October 2018, we initiated a project which saw the update of all Stage 1 properties at Lake Hood to fibre broadband in line with the rest of the development. This means that every property at Lake Hood can now enjoy the benefits of ultra-fast fibre broadband – the fastest way to access the internet and stream online content.

We are also pleased to announce that 2 Degrees is now one of our residential internet service providers, offering our fibre broadband customers more choice when signing up with EA Fibre.



Higher voltage across Ashburton

With the region's increasing demand for electricity, the need for greater resilience of the assets required to operate at higher levels is also growing. Essentially, we need to deliver more power further out across our region and continue to do so reliably and with greater resilience.

Historically, our distribution network has had a variety of different capacities, which were based on the demands and landscape of particular areas. Now, we primarily operate 66kV (66,000 volts), 22kV and our urban low volt 400V giving us the ability to deliver energy at the levels demanded in most parts of Mid Canterbury.

A more secure network is the key benefit of the new 66kV transformer installation project which commenced in September of 2018. Running a new underground cable from the Ashburton Substation to the town boundary on Beach Road, provides the area with a more reliable supply than the 33kV line previously used. It also improves the aesthetics in the area with the sizable cable being kept out of sight. This was a major project with the cable component alone costing over \$2 million. We understand the inconvenience this installation may have caused local residents and appreciate their patience throughout this large project.

The future of outage management

The way we manage data and communication around outages is changing. Our business has now outgrown the capabilities provided by our previous network reporting and communication system (SCADA). We are now investing in a major upgrade of this system that will enhance our capabilities in network and outage management.

This new Advanced Distribution Management System (ADMS) application will improve how we manage real time network status, help increase network reliability and will enable us to respond more immediately and accurately during outages. For our customers, this means that we will be able to provide greater continuity of service and reduce the average duration of any outages compared with existing approaches.

With our sights set on utilising this new system to better communicate with customers about planned or unplanned outages, we're looking forward to the wide-reaching benefits this new software can provide.

For Mid Canterbury to prosper, we need energy - which is why we remain focussed on doing what it takes to ensure you have reliable electricity supply to your homes, businesses and farms.

Key facts

158_{MW}

Maximum network demand

560_{GWh}

Total energy demand

6,543

Distribution substations

19,549

Consumer connections

3,084_{KM}

Network length

\$284_M

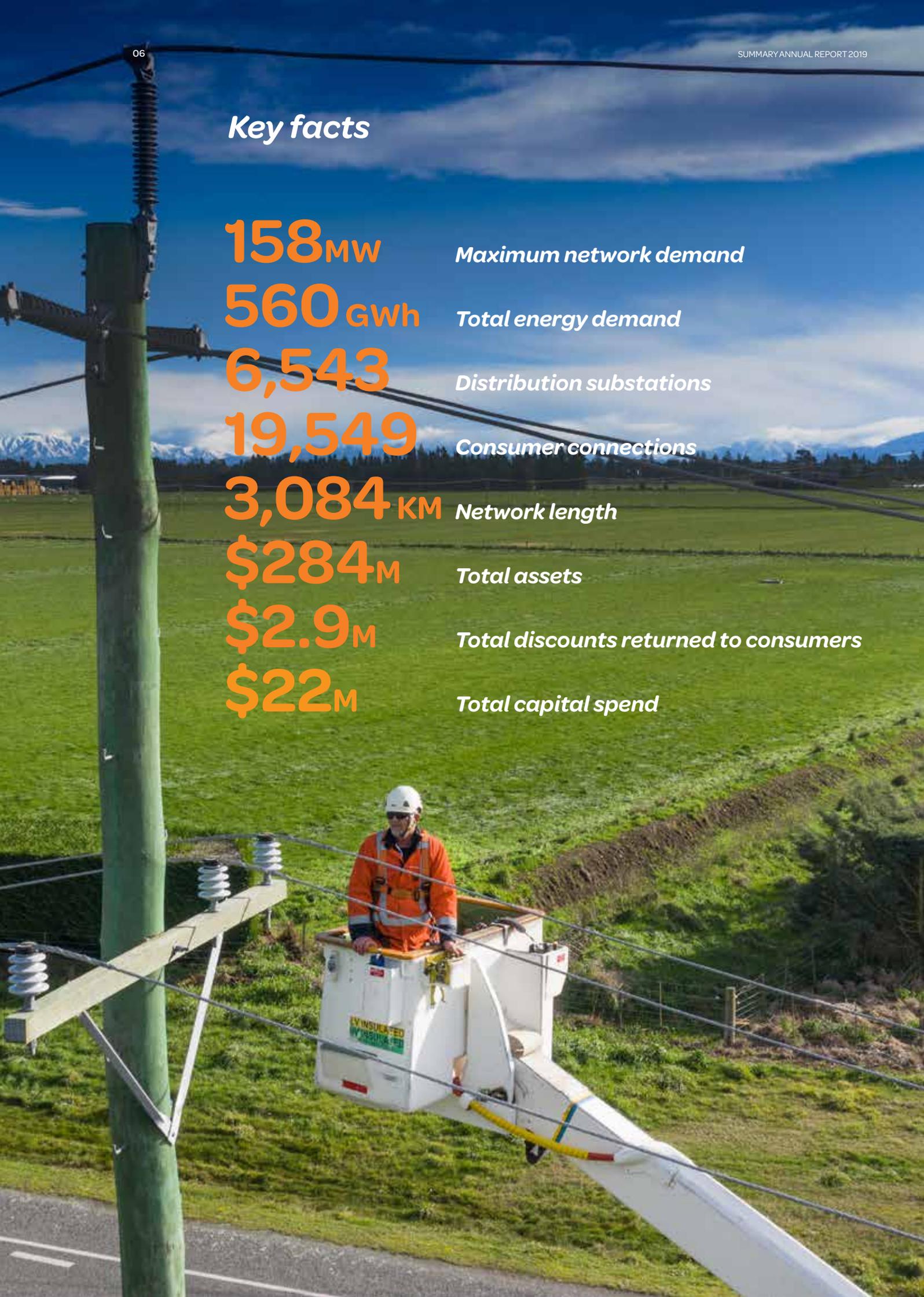
Total assets

\$2.9_M

Total discounts returned to consumers

\$22_M

Total capital spend





Shareholders Committee Report

The Shareholders Committee is pleased to report on another successful year for our business both in terms of financial performance and our ability to invest resources back into our local community.

The EA Networks Shareholders Committee exists to represent the interests of all EA Networks shareholders, who are new or existing customers of EA Networks (unless they have decided to opt out of share ownership). This means that each customer shareholder has one vote to elect a shareholder committee member. Committee members are entrusted with appointing directors to the board. They also represent shareholders views in dealings with the Board of Directors and working on their behalf to oversee the overall performance of the company.

We are passionate about maintaining community ownership of our region's electricity network and ensuring that the economic benefits of this ownership go back to the district.



We know from our shareholder base that the company must be a reliable and trusted infrastructure business which delivers value back to shareholders. For all of us, Mid Canterbury is our home and place of business. We all need a high-quality energy supply and we want to ensure we have access to the best technologies to enable that.

With the oversight of the Shareholders Committee, the business once again balanced its priorities between maintaining revenue growth and investing strongly in local infrastructure assets. We have continued to undertake large projects which provide our network with leading edge technology solutions, while also prioritising projects which ensure the stability of the network for years to come.

We are pleased to see the company's commitment to bringing world class electricity sector technology to Mid Canterbury and continue to focus on creating strategies to respond to emerging diversification within our industry. Whether it's support for the electric vehicle movement through the latest installation of an EV Charging Station in Methven, or the implementation of best practice outage management systems and software, the company is leading the charge for innovative solutions in our region.

Local ownership of our network is imperative to ensuring that Mid Canterbury has the foundation to be at the forefront of new innovations. The future of electricity is exciting, and we look forward to seeing the business grow and adapt within this dynamic industry.

I would like to thank my fellow committee members for their hard work and dedication throughout the year. Our members bring a diverse skill set to our committee and we strive to represent our shareholders to the best of our abilities. Our engagement with directors is underpinned by the long-term best interest of the company now and into the future.

Ian Cullimore
Chairman – Shareholders Committee

Summary Financial Statements

FOR ELECTRICITY ASHBURTON LIMITED TRADING AS EA NETWORKS

SUMMARY STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2019

	2019 \$000	2018 \$000 (Restated)
Operating revenue		
Distribution line charge revenue	44,307	49,526
Customer discount	(2,883)	(2,858)
Net distribution line charge revenue	41,424	46,668
Other operating revenue	7,646	4,979
Total operating revenue	49,070	51,647
<i>Less</i>		
Operating expenses		
Transmission costs	(8,052)	(13,315)
Directors fees and shareholders fees	(366)	(355)
Audit fee	(55)	(36)
Employee costs not included elsewhere	(6,962)	(6,402)
Distribution network and fault costs	(3,979)	(3,700)
Other operating expenses	(2,407)	(2,840)
Total operating expenses	(21,843)	(26,648)
Net operating surplus	27,227	24,999
Interest expense and associated cost	(3,285)	(3,768)
Depreciation and amortisation	(10,149)	(9,422)
Net proceeds of sale of Joint Venture	0	230
Operating surplus before share of Joint Venture and taxation	13,793	12,039
Taxation	(3,717)	(3,735)
Operating comprehensive income	10,076	8,304
Sale of share in Joint Venture with BCI	0	17,499
Total comprehensive income	10,076	25,803

SUMMARY STATEMENT OF CHANGES IN EQUITY AND MEMBERS' INTERESTS

FOR THE YEAR ENDED 31 MARCH 2019

	2019 \$000	2018 \$000 (Restated)
Opening retained earnings	150,510	124,707
Total comprehensive income for the period	10,076	25,803
Closing retained earnings	160,586	150,510
Rebate shares	1,327	1,328
Member interests	31,484	31,484
Total equity and members' interests	193,397	183,322

SUMMARY STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2019

	2019 \$000	2018 \$000 (Restated)
Current assets	12,312	11,328
Non-current assets	271,800	263,993
Total assets	284,112	275,321
Current liabilities*	30,606	6,057
Non-current liabilities	60,109	85,942
Total liabilities	90,715	91,999
Net assets	193,397	183,322

* Includes \$23.3 Million borrowings due within one year relating 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 undrawn headroom within the BNZ facility at balance date.

SUMMARY STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2019

	2019 \$000	2018 \$000 (Restated)
Net cash flow from operating activities	23,016	21,023
Net cash flow from investing activities	(18,580)	9,198
Net cash flow from financing activities	(4,555)	(30,038)
Net (decrease)/increase in cash on hand	(119)	183
Opening cash and cash equivalents on hand	210	27
Closing cash and cash equivalents on hand	91	210

SUMMARY OF ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MARCH 2019

The specific disclosures included in this summary annual report have been extracted from the full annual report adopted by EA Networks on 1 July 2019. The full annual report has been audited and an unqualified audit report has been received.

The summary annual report cannot be expected to provide as complete an understanding as provided by the full annual report of the financial position and cash flows of the company. The summary annual report has been audited for consistency with the full annual report.

EA Networks is a tier 1 profit-oriented co-operative company registered under the Co-operative Companies Act 1996. The full financial statements of the company have been prepared in accordance with NZ GAAP. They comply with NZ IFRS and other applicable reporting standards as appropriate for a co-operative company and a profit-oriented company. The 2018 comparatives have been restated to reflect the adoption NZ IFRS 15 Revenue from Contracts with Customers.

The company's financial statements are presented in New Zealand dollars, which is the company's functional and presentation currency.

The directors are not aware of any other matter or circumstance since the end of the financial year, not otherwise dealt with in the full financial report, that has significantly affected or may significantly affect the operation of EA Networks, the results of those operations, or the state of affairs of EA Networks.



By embracing smart electrification, we can make better use of energy, reduce emissions and help mitigate climate change.



REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARY FINANCIAL STATEMENTS

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

The summary financial statements comprise:

- the summary statement of financial position as at 31 March 2019
- the summary statement of comprehensive income for the year then ended;
- the summary statement of changes in equity and members' interests for the year then ended;
- the summary statement of cash flows for the year then ended; and
- related notes.

Our opinion

The summary financial statements are derived from the audited financial statements of Electricity Ashburton Limited (trading as "EA Networks"), for the year ended 31 March 2019. In our opinion, the accompanying summary financial statements are consistent, in all material respects, with the audited financial statements, in accordance with FRS-43: *Summary Financial Statements* issued by the New Zealand Accounting Standards Board.

Summary financial statements

The summary financial statements do not contain all the disclosures required by New Zealand equivalents to International Financial Reporting Standards (NZ IFRS). Reading the summary financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited financial statements and the auditor's report thereon. The summary financial statements and the audited financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the audited financial statements.

The audited financial statements and our report thereon

We expressed an unmodified audit opinion on the audited financial statements in our report dated 2 July 2019.

Responsibilities of the Directors for the summary financial statements

The Directors are responsible, on behalf of the Company, for the preparation of the summary financial statements in accordance with FRS-43: *Summary Financial Statements*.

Auditor's responsibility

Our responsibility is to express an opinion on whether the summary financial statements are consistent, in all material respects, with the audited financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (New Zealand) 810 (Revised), *Engagements to Report on Summary Financial Statements*.

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

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

PricewaterhouseCoopers.

Chartered Accountants
2 July 2019

Christchurch

ANNUAL REPORT

A copy of the full annual report can be downloaded from www.eanetworks.co.nz or collected from our office; 22 JB Cullen Drive, Ashburton Business Estate, phone 0800 430 460 during business hours.



Ultra-fast fibre-optic broadband is more than just the future of the Internet, it's the gold standard for fast, reliable, high-quality internet access.

Notice of AGM

The Annual General Meeting for shareholders of EA Networks will be held at The Gallery, Hotel Ashburton, 11 Racecourse Road, Ashburton on 28 August 2019 at 5.30pm.

BUSINESS

1. To review the minutes of the Annual General Meeting held on 29 August 2018.
2. To receive and review the Annual Report and Financial Statements for the year ended 31 March 2019.
3. To reappoint PricewaterhouseCoopers as the company's auditor.
4. To fix the remuneration of directors. It is proposed that total directors' fees for the year ending 31 March 2020 increase by 2% to \$314,428 (currently \$308,263).
5. To receive the report from the Shareholders Committee for 2018/19.
6. To advise the appointment of directors.
7. To transact any other business that may be properly brought before the meeting.

Gordon Guthrie

Chief Executive

PROXIES

A shareholder may exercise the right to vote either by being present in person or by proxy of the meeting. A proxy form is available for collection from our office, or as a download from www.eanetworks.co.nz

SHAREHOLDERS COMMITTEE

IAN CULLIMORE (CHAIRMAN)
ANNE MARETT
CHRIS ROBERTSON
DAVID WARD
JEANETTE MAXWELL
ROBERT NEWLANDS
ALISTER LILLEY

BOARD OF DIRECTORS

PHILIP McKENDRY (CHAIRMAN)
BRUCE McPHERSON
PAUL MUNRO
RICHARD FITZGERALD
ROGER SUTTON
GARY LEECH (RETIRED 29 AUGUST 2018)
ANDREW BARLASS (APPOINTED 29 AUGUST 2018)

MANAGEMENT

CHIEF EXECUTIVE – GORDON GUTHRIE
NETWORK MANAGER – BRENDON QUINN
FIELD SERVICES GENERAL MANAGER – TONY HANNAH
CHIEF FINANCIAL OFFICER – MARK LESTER
COMMERCIAL MANAGER – JEREMY ADAMSON

AUDITOR

PRICEWATERHOUSECOOPERS
Level 4, 60 Cashel Street
Central Christchurch
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The film used for the flow wrapping of this product is made with TDPA™ : Totally Degradable Plastic Additive

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