Electricity Ashburton Limited *trading as*

EA Networks

Annual Report

For the year ended 31 March 2022

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EA Networks
For the year ended 31 March 2022

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Directory

EA Networks
For the year ended 31 March 2022

BOARD OF DIRECTORS

Philip McKendry (Chair)
Paul Munro
Richard Fitzgerald
Andrew Barlass
Janine Holland
Anthony Gray

SHAREHOLDERS' COMMITTEE

Ian Cullimore (Chair)
Alister Lilley
Anne Marett
David Ward
Jeanette Maxwell
Robert Newlands
Tony Potts

MANAGEMENT

Chief Executive Officer	Roger Sutton
Acting Network Manager	Myles Connew
Field Services Manager	George Ritchie
GM Customer and Commercial Manager	Jeremy Adamson
GM Finance	Nigel Thomson
People and Capability Manager	Cindy Meadows

OFFICE

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Ashburton Business Estate
Ashburton 7772

CONTACT

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AUDITORS

PricewaterhouseCoopers
Level 4, 60 Cashel Street
Christchurch Central
Christchurch 8013

LEGAL NAME OF ENTITY

Electricity Ashburton Limited trading as EA Networks
NZBN 9429039316172

GENERAL COMPANY SOLICITOR

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

COMPANY SOLICITOR FOR SHAREHOLDER-RELATED ISSUES

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

Highlights

EA Networks

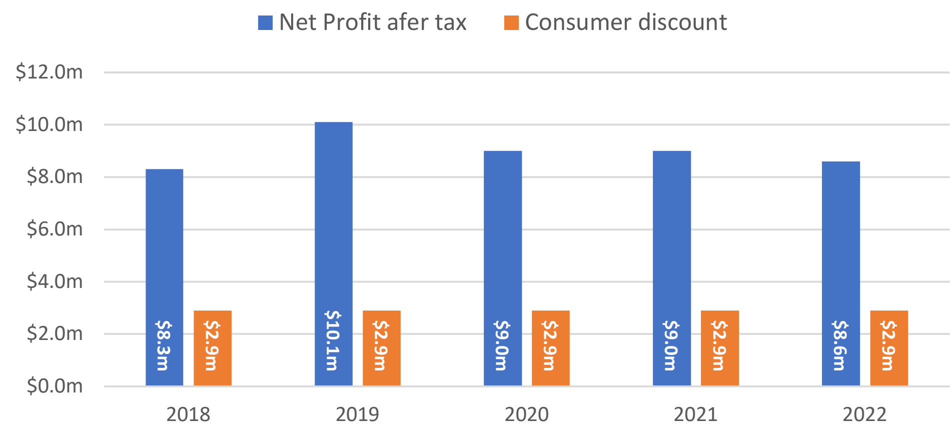
For the year ended 31 March 2022

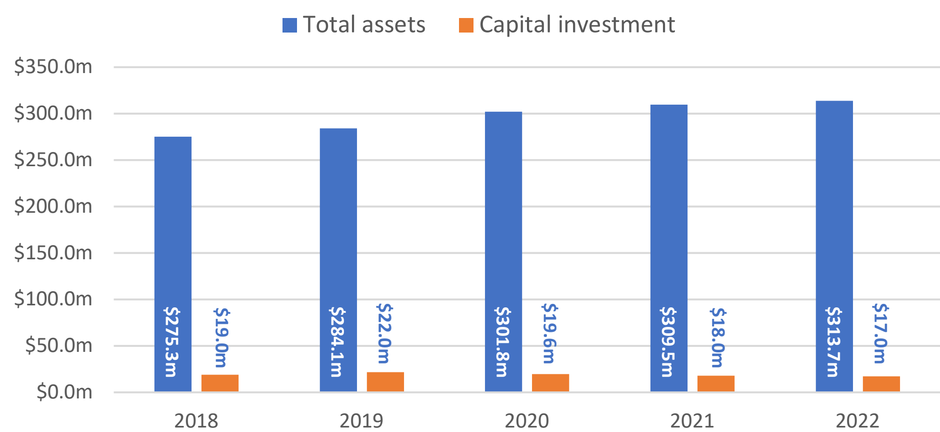
ELECTRICITY NETWORK PERFORMANCE HIGHLIGHTS

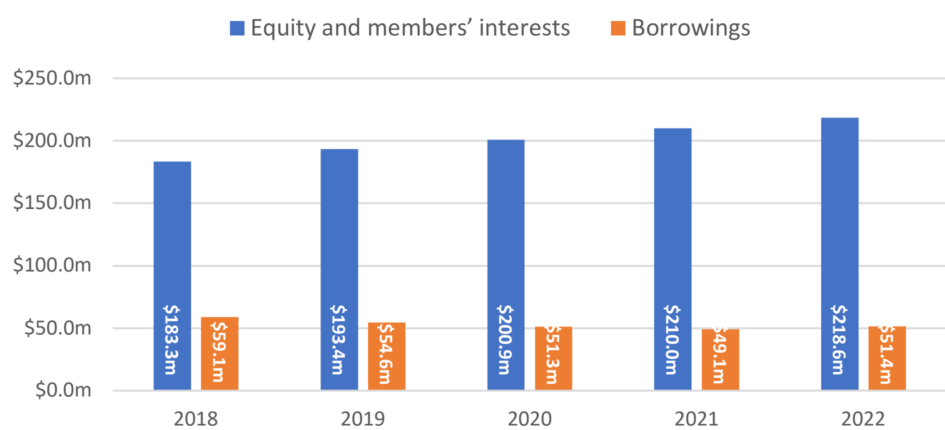
20,665 customer connections	↑	**up 539 from last year**
569 gigawatt hours of electricity delivered	↓	**down 48GWh from last year**
159 MW network maximum demand	↓	**down 22MW from last year**
342 total number of faults	↑	**up 33 from last year**
SAIDI unplanned (normalised): 61.31	↓	**down 13.76 from last year**
SAIDI planned (normalised): 106.64	↑	**up 6.52 from last year**
SAIFI unplanned (normalised): 0.9762	↓	**down 0.09 from last year**
SAIFI planned (normalised): 0.3635	↓	**down 0.04 from last year**

Performance Trends

EA Networks
For the year ended 31 March 2022







Statement of Comprehensive Income

EA Networks

For the year ended 31 March 2022

	Notes	2022	2021
		$000	$000
INCOME			
Operating revenue		47,617	49,800
Consumer discount		(2,927)	(2,912)
Total operating income after consumer discounts	2	**44,690**	**46,888**
EXPENSES			
Operating expenses	3	20,314	21,114
Depreciation and amortisation		11,863	11,743
Total expenses		**32,177**	**32,857**
FINANCE INCOME AND EXPENSES			
Finance income		15	14
Finance costs	4	608	1,829
Net finance income (costs)		**(593)**	**(1,815)**
Surplus (deficit) for the year before taxation		**11,920**	**12,216**
Taxation	5	3,349	3,174
Surplus (deficit) for the year after taxation		8,571	9,042
Other comprehensive income		-	-
Total comprehensive revenue and expenses for the year		**8,571**	**9,042**

Statement of Changes in Equity and Members' Interests

EA Networks

For the year ended 31 March 2022

	Notes	Retained earnings	Deferred shares	Rebate shares	Total
		$000	$000	$000	$000
EQUITY					
Balance as at 31 March 2020		168,145	31,484	1,302	200,931
Comprehensive income					
Net profit after taxation		9,042			9,042
Transactions with owners					
Shares issued	7			94	94
Shares repaid	7			(67)	(67)
Balance as at 31 March 2021		**177,187**	**31,484**	**1,329**	**210,000**
Comprehensive income					
Net profit after taxation		8,571			8,571
Transactions with owners					
Shares issued	7			134	134
Shares repaid	7			(78)	(78)
Balance as at 31 March 2022		**185,758**	**31,484**	**1,385**	**218,627**

Statement of Financial Position

EA Networks
For the year ended 31 March 2022

	Notes	2022	2021
		$000	$000
EQUITY AND MEMBERS' INTERESTS		**218,627**	**210,000**
Represented by:			
CURRENT ASSETS			
Cash and cash equivalents		241	160
Inventories	8	4,880	5,959
Tax refund due		47	2,234
Trade and other receivables	10	6,541	4,541
Naming rights	11	67	67
Total current assets		**11,776**	**12,961**
NON-CURRENT ASSETS			
Intangible assets	9	786	1,122
Naming rights	11	466	533
Property, plant and equipment	12	291,794	286,005
Right of use assets	13	8,505	8,898
Derivative financial instruments	14	368	-
Total non-current assets		**301,919**	**296,558**
TOTAL ASSETS		**313,695**	**309,519**
CURRENT LIABILITIES			
Trade and other payables	15	5,854	9,400
Lease liabilities	13	1,712	2,974
Borrowings	19	-	9,290
Employee entitlements	16	2,201	2,291
Derivative financial instruments	14	-	136
Total current liabilities		**9,767**	**24,091**
NON-CURRENT LIABILITIES			
Deferred tax liabilities	6	33,227	32,312
Lease liabilities	13	533	2,261
Borrowings	19	51,390	39,800
Derivative financial instruments	14	151	1,055
Total non-current liabilities		**85,301**	**75,428**
TOTAL LIABILITIES		**95,068**	**99,519**
NET ASSETS		**218,627**	**210,000**

For and on behalf of the board

Director

Director

27 June 2022

Statement of Cash Flows

EA Networks
For the year ended 31 March 2022

	Notes	2022	2021
		$000	$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		45,081	54,351
Consumer discount paid		(2,792)	(2,817)
Interest received		15	14
GST net movement		84	1,293
Payments to suppliers and employees		(22,734)	(20,075)
Interest paid		(2,005)	(2,422)
Taxation paid		(245)	(2,208)
Total cash flows from operating activities	17	**17,404**	**28,136**
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipts from sale of property, plant and equipment		287	137
Investment in property, plant and equipment		(16,846)	(18,400)
Total cash flows from investing activities		**(16,559)**	**(18,263)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Net movement in bank loans		2,300	(2,200)
Principal elements of lease payments		(2,985)	(5,877)
Payments for shares bought back from owners		(79)	(67)
Total cash flows from financing activities		**(764)**	**(8,144)**
NET INCREASE IN CASH HELD		**81**	**1,729**
Cash and cash equivalents at start of year		160	(1,569)
Cash and cash equivalents at end of year		**241**	**160**

Notes to the Financial Statements

EA Networks
For the year ended 31 March 2022

PRINCIPAL ACTIVITIES

EA Networks principal activities are:

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

All operations are conducted in New Zealand.

1 Significant changes in the current reporting period

There have been no changes in accounting policies during the year ended 31 March 2022. All policies have been applied on basis consistent with those used in prior years.

2 Operating revenue

	2022	2021
	$000	$000
Revenue from contracts with customers		
Distribution line charge revenue	41,743	44,201
Less consumer discount	(2,927)	(2,912)
Net distribution line charge revenue	**38,816**	**41,289**
Capital contributions	1,323	1,060
Fibre network revenue	1,148	1,442
Lease rental income	349	-
Other income including contracting revenue	3,054	3,097
Total operating revenue	**44,690**	**46,888**

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 consumer load groups and the variable charge based on the amount of electricity entering their ICP.

Revenue is recognised on a daily basis for fixed charges and when electricity enters an ICP for variable charges. This approach best reflects the transfer of value to the customer. Measurement is based on fair value.

how the numbers are calculated

2 Operating revenue (continued)

Distribution line charge revenue (continued)

In the year ended 31 March 2021 EA Networks breached the price-setting requirements of the Commerce Commission's Electricity Distribution Services Default Price-Quality Path Determination 2020 (see Note 22). In response to the breach, EA Networks published an updated pricing schedule and refunded $3.5M through retailers to consumers.

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, and control of the asset has transferred to the customer.

Fibre network revenue

We generate revenue by charging a daily fee to use the fibre 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, and control of the asset has transferred to the customer. 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.

All other revenue

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

3 Operating expenses

	2022	2021
	$000	$000
Pass-through and recoverable costs^	4,959	7,027
Employee benefit costs (see note 3a)	5,888	6,893
Distribution system maintenance & fault costs	4,245	4,118
Directors and shareholders committee fees	395	352
Rental expenses	57	22
Audit fees - financial statements (see note 3b)	111	83
Loss on sale	305	416
Other operating expenses including contracting activities	4,354	2,203
	20,314	**21,114**

^Pass-through and recoverable costs include transmission costs (excluding new investment contracts), system rates, Commerce Commission levies and other regulatory levies which are recovered through transmission prices.

3 Operating expenses (continued)

	2022	2021
	$000	$000
a) Employee benefit costs		
Expensed during the year	5,888	6,893
Included as part of distribution system maintenance & fault cost and capitalised as part of property, plant and equipment	7,625	6,459
Total employee benefit costs for the year	**13,513**	**13,352**
b) Audit fees		
Audit fees - financial statements	111	83
Other assurance services relating to regulatory compliance	137	107
Other non-assurance services - regulatory advice	20	27
Access to training material through an online platform	1	-
Total expenses incurred for services acquired from PwC	**269**	**217**

There were additional disbursements of $15,560 incurred, in addition to the above fees. Other assurance services are made up of: default price path; information disclosure; and annual price setting compliance.

4 Finance costs

	2022	2021
	$000	$000
Interest expense on lease liabilities	207	492
Interest expense on loans	1,343	1,464
Bank fees associated with financing	466	430
Movements in derivatives associated with financing	(1,408)	(557)
Total finance costs	**608**	**1,829**

5 Taxation

	2022	2021
	$000	$000
Income tax expense		
Current tax on profit for the year	2,433	71
Prior period tax adjustment	1	4
Increase in deferred tax liabilities for the year	915	3,099
Total income tax expense	**3,349**	**3,174**
Reconciliation of income tax		
Net profit before taxation	11,920	12,216
Prima facie taxation at 28%	3,338	3,420
Tax effect of:		
Opening deferred tax on buildings	-	(254)
Non-deductible expenses	10	3
Prior year tax adjustments	1	5
Income tax expense for the year	**3,349**	**3,174**

how the numbers are calculated

5 Taxation (continued)

	2022	2021
	$000	$000
Imputation credit account		
Balance 31 March 2021	31,192	28,984
Tax paid	1,093	2,208
Tax refunded	848	-
Balance 31 March 2022	**31,437**	**31,192**

6 Deferred tax liabilities

	PPE	Leases	Other	**Total**
	$000	$000	$000	$000
Balance 1 April 2020	30,731	(512)	(1,067)	29,152
Prior period adjustment	-	-	61	61
Tax expense	1,485	1,554	60	3,099
Balance 31 March 2021	32,216	1,042	(946)	32,312
Prior period adjustment	-	-	32	32
Early repayment of new investment contracts	-	(1,464)	-	(1,464)
Tax expense	1,832	105	410	2,347
Balance 31 March 2022	**34,048**	**(317)**	**(504)**	**33,227**

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 statements 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. The reinstatement of deferred tax on buildings as announced by the NZ Government in March 2020 did not have a material impact on the financial statements.

7 Share capital

	Deferred shares	Rebated shares issued and fully paid	Un-allocated rebate shares	**Total shares**
2021				
Shares (thousands)	28,750	1,329	221	30,300
Value of shares ($000)	$31,484	$1,329	$0	$32,813
2022				
Shares (thousands)	28,750	1,385	266	30,401
Value of shares ($000)	$31,484	$1,385	$0	$32,869

Total number of rebate shares authorised as at 31 March 2022 is 1,651,200 (2021: 1,550,000)

Deferred shares

There are 28,750,000 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 equity securities 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 offers 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

	2022	**2021**
	$000	$000
Distribution system	4,382	5,306
Fibre network	498	653
	4,880	**5,959**

No inventories are subject to a retention of title clause or held as security for a liability (2021: Nil)

Accounting policies relating to inventories

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

how the numbers are calculated

9 Intangible assets

	2022	2021
	$000	$000
Software		
Opening purchase cost	6,016	5,280
Additions during the year	414	736
Disposals during the year	(378)	-
Closing purchase cost	**6,052**	**6,016**
Opening accumulated amortisation	4,922	4,306
Amortisation for the year	390	616
Closing accumulated amortisation	**5,312**	**4,922**
Net book value	740	1,094
Add work in progress	46	28
Total intangibles	**786**	**1,122**

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% per annum, or on a straight line basis using rates from 10% to 25% per annum.

10 Trade and other receivables

	2022	2021
	$000	$000
Trade receivables	5,549	3,503
Prepayments	994	1,042
Expected credit loss provision	(2)	(4)
Total trade and other receivables	**6,541**	**4,541**

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		
Opening balance	4	8
Additions / (releases)	(2)	(4)
Closing balance	**2**	**4**

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.

11 Naming rights

	2022	2021
	$000	$000
Naming rights to EA Networks Centre		
Purchase cost	1,000	1,000
Opening accumulated amortisation	400	333
Amortisation for the year	67	67
Closing accumulated amortisation	**467**	**400**
Carrying value of naming right	**533**	**600**
Made up from		
Current asset naming right	67	67
Non-current asset naming right	466	533
Carrying value of naming right	**533**	**600**

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 relating to naming rights

Naming rights are stated at cost less accumulated amortisation.

12 Property, plant and equipment

2022	Electricity network	Broadband fibre	All other items	Vehicles & contracting equipment	Total
Cost					
Balance 1 April 2021	380,948	24,965	19,697	16,234	441,844
Additions	12,039	640	86	952	13,717
Disposals	(4,358)	-	-	(606)	(4,964)
Reclassified	-	-	-	-	-
Balance 31 March 2022	**388,629**	**25,605**	**19,783**	**16,580**	**450,597**
Accumulated depreciation					
Balance 1 April 2021	132,608	10,809	7,331	11,200	161,948
Depreciation	7,556	1,284	568	1,236	10,644
Disposals	(3,840)	-	-	(533)	(4,373)
Reclassified	-	-	-	-	-
Balance 31 March 2022	**136,324**	**12,093**	**7,899**	**11,903**	**168,219**
Net book value					
as at 31 March 2022	252,305	13,512	11,884	4,677	282,378
Work in progress	8,791	345	83	197	9,416
Total net book value	**261,096**	**13,857**	**11,967**	**4,874**	**291,794**

12 Property, plant and equipment (continued)

2021	Electricity network	Broadband fibre	All other items	Vehicles & contracting equipment	Total
Cost					
Balance 1 April 2020	370,885	23,772	19,265	15,778	429,700
Additions	14,981	1,193	432	793	17,399
Disposals	(4,918)	-	-	(337)	(5,255)
Reclassified	-		-	-	-
Balance 31 March 2021	**380,948**	**24,965**	**19,697**	**16,234**	**441,844**
Accumulated depreciation					
Balance 1 April 2020	129,527	9,528	6,728	10,192	155,975
Additions	7,467	1,281	603	1,321	10,672
Disposals	(4,386)	-	-	(313)	(4,699)
Reclassified	-	-	-	-	-
Balance 31 March 2021	**132,608**	**10,809**	**7,331**	**11,200**	**161,948**
Net book value					
as at 31 March 2021	248,340	14,156	12,366	5,034	279,896
Work in progress	5,857	206	-	46	6,109
Total net book value	**254,197**	**14,362**	**12,366**	**5,080**	**286,005**

Accounting policies relating to 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-downs. 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.

Fibre 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 is not depreciated.

Buildings and 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 depreciates the cost of the assets over their useful lives:

Item	Rate	Method
Electricity network	1.36% to 40.00%	Straight line
Fibre network	2.00% to 20.00%	Straight line
Other - Buildings	1.00% to 2.50%	Straight line
Other - All other items	4.80% to 67.00%	Diminishing value
Vehicles & contracting equipment	4.80% to 67.00%	Diminishing value

how the numbers are calculated

Accounting policies relating to property, plant and equipment (continued)

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:
https://comcom.govt.nz/regulated-industries/input-methodologies/electricity-distribution-ims.

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, 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.

13 Right of use assets and lease liabilities

	New investment contracts	Land	Other	Total
		$000	$000	$000
Right-of-use assets				
Balance 1 April 2020	8,386	190	71	8,647
Lease re-measurements	637			637
Amortisation	(338)	(14)	(34)	(386)
Balance 31 March 2021	**8,685**	**176**	**37**	**8,898**
Balance 1 April 2021	8,685	176	37	8,898
Lease re-measurements	(5)			(5)
Amortisation	(340)	(14)	(34)	(388)
Balance 31 March 2022	**8,340**	**162**	**3**	**8,505**
Lease liabilities				
Balance 1 April 2020	10,200	203	72	10,475
Lease re-measurements	637			637
Payments made	(6,313)	(20)	(36)	(6,369)
Interest charged	481	9	2	492
Balance 31 March 2021	**5,005**	**192**	**38**	**5,235**
Balance 1 April 2021	5,005	192	38	5,235
Lease re-measurements	(5)			(5)
Payments made	(3,137)	(20)	(36)	(3,193)
Interest charged	198	9	1	208
Balance 31 March 2022	**2,061**	**181**	**3**	**2,245**
Disclosed as follows:				
Current	1,697	12	3	1,712
Non-current	364	169	0	533
Balance 31 March 2022	**2,061**	**181**	**3**	**2,245**

Accounting policies relating to right of use assets and lease liabilities

(a) The length of term we lease items for

EA Networks leases various network assets from Transpower (new investment contracts). Other items we lease include land on which network assets are situated and office equipment (photocopiers and printers). Lease contracts are typically made for fixed periods of 1 to 40 years but may have extension options as described in (g) below. Contracts may contain both lease and non-lease components. We allocate the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

(b) Securities

Lease terms are negotiated on an individual basis and contain a wide range of terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

(c) Measurement of financial leases

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:
i) fixed payments (including in-substance fixed payments), less any lease incentives receivable
ii) variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date
iii) amounts expected to be payable by the group under residual value guarantees
iv) the exercise price of a purchase option if the group is reasonably certain to exercise that option
v) payments of penalties for terminating the lease if the lease term reflects the group exercising that option
Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

(d) Discount rate

Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for land and office equipment leases, our incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Under the terms of our new investment leases we are exposed to potential future increases/decreases in lease payments as the Transpower allowable cost of capital increases/decreases. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset as a lease modification.

(e) Allocation of lease payments

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.
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
•restoration costs

(f) Right-of-use assets depreciation

Right-of-use assets are generally depreciated over the shorter of the assets' useful life and the lease term on a straight-line basis. Right of-use assets associated with new investment contracts are depreciated over the underlying assets' useful life.

(g) Extension and termination options

EA Networks have extension and termination options associated with property and equipment leases. These are used to maximise operational flexibility in terms of managing the assets used in EA Networks operations. The majority of extension and termination options held are exercisable only by EA Networks and not by the respective lessor.

(h) Payments associated with short-term and low-value leases

Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise electricity networks equipment.

13 Right of use assets and lease liabilities (continued)

(i) Critical judgements in determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases associated with the electricity network, the life of EA Networks' assets associated with the lease is the predominate factor used to determine the expected term associated with extension of a lease.

When the ability for EA Networks to use its own property, plant and equipment is contingent on the right to use assets associated with the lease, extension options have been included in assessment of lease liability.

The lease term is reassessed if an option is actually exercised (or not exercised) or EA Networks becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee. During the current financial year no lease terms were reassessed.

During the 2022 year an early repayment of $2.5M (2021:$5.3M) was made on a Transpower new investment contract. As a result of the early repayment, the right of use asset and lease liability was remeasured by $5k (2021:$0.6M).

14 Derivative financial instruments

	2022	**2021**
	$000	$000
Non-current assets		
Interest rate caps	61	-
Interest rate swaps	307	-
	368	**-**
Current liabilities		
Interest rate swaps	-	(136)
Non-current liabilities		
Interest rate swaps	(151)	(1,055)
Net value of derivative financial instruments	**217**	**(1,191)**

Accounting policies relating to derivative financial instruments

The Company enters into interest rate swaps and caps to manage the financial risk associated with any potential movement in the cost of debt funding.

Financial instruments are recorded at fair value in the statement of financial position, with any movement in the associated value being recorded in the statement of comprehensive income. The valuation of the financial instruments' present value has been undertaken by the registered banks who are parties to the swap and caps contract.

14 Derivative financial instruments (continued)

Accounting policies relating to derivative financial instruments (continued)

No adjustment has been made to the present value of the financial instruments to reflect the risk of default. This is due to the other contracting parties to the financial instrument being the BNZ and Westpac who are registered banks, therefore any adjustment to the present value would be immaterial.

Derivatives are initially recognised at fair value on the date the contract becomes binding and subsequently re-measured to their fair value at the end of each quarter. The resulting gain or loss is recognised in the statement of comprehensive income immediately. EA Networks has not adopted hedge accounting.

15 Trade and other payables

	2022	2021
	$000	$000
Trade creditors	5,721	9,278
Interest accruals	133	122
Total trade and other payables	**5,854**	**9,400**

Accounting policies relating to trade and other payables

This amount represents the liability for goods and services provided to the Company prior to the end of the financial year which is unpaid. The amounts are unsecured and are usually paid within 30 days of recognition (financial liabilities at amortised cost).

Trade and other payables are initially recognised at fair value and subsequently at amortised cost using the effective interest method.

16 Employee entitlements

	Leave entitlement	Retirement gratuity	**Total entilement**
	$000	$000	$000
Balance as at 31 March 2020	**1,307**	**876**	**2,183**
Movement during the period	343	(235)	108
Balance as at 31 March 2021	**1,650**	**641**	**2,291**
Payouts during the period	(104)	(76)	(180)
Increase in provision	35	55	90
Balance as at 31 March 2022	**1,581**	**620**	**2,201**

Accounting policies relating to employee entitlements

Employee benefits are allocated as:
Leave entitlement
This 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.

17 Reconciliation of net cash flows from operating activities to operating surplus after taxation

	2022	2021
	$000	$000
Net profit after taxation	**8,571**	**9,042**
Add (subtract) non-cash items		
Depreciation and amortisation	11,863	11,743
Movement in financial derivatives	(1,408)	(557)
Movement in deferred taxation	916	3,160
Loss (gain) on sale of property, plant and equipment	305	416
Discount used by shareholders to purchase shares	134	94
Total non-cash items	**11,810**	**14,856**
Movement in net current assets and liabilities		
Decrease (increase) in inventory	1,078	(797)
Decrease (increase) in trade and other receivables	(2,000)	2,679
Increase (decrease) in trade and other payables	(3,546)	5,047
Increase (decrease) in employee entitlements	(90)	108
Decrease/(increase) in taxation payable	2,190	(2,195)
Total net current assets/liabilities movement	**(2,368)**	**4,842**
Other movement		
Inventory transferred to property, plant and equipment	(225)	(22)
Trade and other payables relating to property, plant and equipment	(384)	(582)
Total other	**(609)**	**(604)**
Net cash flows from operating activities	**17,404**	**28,136**

18 Related party transactions

The value (GST inclusive) that we have transacted with our related parties is:

	Transaction total YE 2022	Balance as at 31 March 2022	Transaction total YE 2021	Balance as at 31 March 2021
	$000	$000	$000	$000
Ashburton District Council (significant shareholder of EA Networks, holding 28,750,000 deferred shares)				
EA paid for - rates	279	-	269	-
EA paid for - other services	142	-	15	-
EA charged for - contracting services	766	29	867	84
EA charged for - other services	37	3	109	7
Ashburton Contracting Limited (100% owed by Ashburton District Council. Andrew Barlass is a director of both Ashburton Contracting Limited and EA Networks)				
EA paid for - contracting services	233	130	426	3
EA paid for - other services	-	-	60	-
EA charged for - contracting services	5	-	185	-
Cullimore Engineering Limited (Ian Cullimore is 50% shareholder of Cullimore Engineering and the chair of the shareholders' committee of EA Networks)				
EA paid for - contracting services	3	-	96	-
Electraserve Limited (Alister Lilley is a director of Electraserve and a shareholders' committee member of EA Networks)				
EA paid for - contracting services	6	-	25	-
Orion (Paul Munro is a director of both Orion and EA Networks)				
EA paid for - contracting services	27	1	-	-
Lynn River Limited (Paul Munro is a director of both Lynn River and EA Networks)				
EA paid for - other services	9	-	-	-
Newlands Group (Robert Newlands is a director and shareholder of NG and a shareholders' committee member of EA Networks)				
EA paid for - other services	13	1	27	4
Network Manager (EA Networks Senior Leadership Team)				
EA charged for - other services	30	24	-	-
Barrhill Chertsey Irrigation Limited (Richard Fitzgerald is a director of both BHIL and EA Networks)				
EA charged for - contracting services	9	9	-	-
Electraserve Limited (Alistair Lilley is a director of Electraserve, and a shareholders' committee member of EA Networks)				
EA charged for - contracting services	48	1	-	-

risk

19 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	financial assets at fair value through profit or loss	financial liabilities at amortised cost	financial liabilities at fair value through profit or loss
	$000	$000	$000	$000
Per Statement of Financial Position as at 31 March 2021				
Assets				
Current assets				
Cash and cash equivalents	160	-		
Trade and other receivables	4,541	-		
Non-current assets				
Derivative financial instruments	-	-		
Total assets	**4,701**	**-**		
Liabilities				
Current liabilities				
Cash and cash equivalents			-	
Trade and other payables			9,400	
Lease liabilities			2,974	
Borrowings			9,290	
Derivative financial instruments				136
Non-current liabilities				
Lease liabilities			2,261	
Borrowings			39,800	
Derivative financial instruments				1,055
Total liabilities			**63,725**	**1,191**
Per Statement of Financial Position as at 31 March 2022				
Assets				
Current assets				
Cash and cash equivalents	241	-		
Trade and other receivables	6,048	-		
Non-current assets				
Derivative financial instruments	368	-		
Total assets	**6,657**	**-**		
Liabilities				
Current liabilities				
Cash and cash equivalents			-	
Trade and other payables			5,854	
Lease liabilities			1,712	
Borrowings			-	
Derivative financial instruments				-
Non-current liabilities				
Lease liabilities			533	
Borrowings			51,390	
Derivative financial instruments				151
Total liabilities			**59,489**	**151**

Cash and cash equivalents
Cash equivalents (assets) are short-term, highly liquid investments, with maturities of less than 3 months, 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 2022 (2021: Nil).

Interest rate risk

The Company has external long-term funding arrangements that exposes it to interest rate risk. To manage interest rate risk, the Company uses swaps and caps and a treasury policy (note 14).

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.

	2022	**2021**
	$000	$000
External short-term funding arrangements		
BNZ overdraft facility	500	500
BNZ VISA	40	40
External long-term funding arrangements		
Maturing less than 12 months		
BNZ revolving credit facility	-	17,000
Maturing greater than 12 months		
Westpac multi option credit line facility	55,000	42,000
BNZ revolving credit facility	13,000	16,000
Total long term funding available	**68,000**	**58,000**
Contractual performance bonds		
Dollar value of bonds in place with Westpac	82	162
Number of bonds in place with Westpac	three	five

Short and long-term funding is secured by a negative pledge over assets.

risk

The following table identifies the periods in which the 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
2021				
Maturity of swaps and caps in place	7,500	14,500	-	19,000
Interest rates	2.88 - 4.70%	3.15 - 4.67%		3.69 - 4.35%
2022				
Maturity of swaps and caps in place	-	-	20,500	17,500
Interest rates			2.67-3.43%	2.03 - 4.35%

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 external funding and associated interest costs	Less than 6 months	6-12 months	1-2 years	2-5 years
	$000	$000	$000	$000
2021				
Locked-in interest cost on principal to maturity	369	577	422	1,268
Principal repayment	-	-	7,090	42,000
Effective total	**369**	**577**	**7,512**	**43,268**
Interest rates on principal due	1.33 - 5.37%	4.35 - 5.37%	4.69 - 5.37%	4.69 - 5.37%
2022				
Locked-in interest cost on principal to maturity	499	564	1,070	714
Principal repayment			55,000	13,000
Effective total	**499**	**564**	**56,070**	**13,714**
Interest rates on principal due	2.09 - 5.37%	3.23 - 5.37%	3.23 - 5.37%	3.23 - 5.37%

Long-term funding maturity dates		
Westpac multi option credit line facility	1 April 2023	42,000,000
BNZ revolving credit facility	28 March 2024	13,000,000
Westpac multi option credit line facility	1 April 2025	13,000,000

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

risk

Interest rate risk

EA Networks considers that a reasonably possible movement in New Zealand interest is a 1% movement in either direction. The impacts of a 1% movement are summarised below.

	2022	2021
	$000	$000
Increase of 1% interest rates as at reporting date		
Profit before income tax	134	306
Other comprehensive income	-	-
Decrease of 1% interest rates as at reporting date		
Profit before income tax	(134)	(306)
Other comprehensive income	-	-

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 times.

Shareholder funds ratio: Total shareholder funds to be maintained in excess of 45% of total tangible assets.

risk

Net debt reconciliation

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

	2022	2021
	$000	$000
Net debt		
Cash and cash equivalents	241	160
Liquid investments	-	-
Borrowings repayable within one year	-	(9,290)
Borrowings repayable after one year (including overdraft)	(51,390)	(39,800)
Total net debt	**(51,149)**	**(48,930)**

	Cash/bank overdraft	Borrowings due within 1 year	Borrowings due after 1 year	**Total**
	$000	$000	$000	$000
Balance as at 31 March 2020	**(1,569)**	**-**	**(51,290)**	**(52,859)**
Cash flows	1,729	(9,290)	11,490	**3,929**
Balance as at 31 March 2021	**160**	**(9,290)**	**(39,800)**	**(48,930)**
Cash flows	81	9,290	(11,590)	**(2,219)**
Balance as at 31 March 2022	**241**	**-**	**(51,390)**	**(51,149)**

20 Fair value hierarchy for derivatives

Fair value hierarchy for derivatives, reported at fair value through the statement of comprehensive income.

	Level 1	Level 2	Level 3	**Total**
	$000	$000	$000	$000
As at 31 March 2021				
Financial assets				
Interest rate swaps and caps	-	-	-	-
Total assets	**-**	**-**	**-**	**-**
Financial liabilities				
Interest rate swaps and caps	-	1,191	-	1,191
Total liabilities	**-**	**1,191**	**-**	**1,191**
As at 31 March 2022				
Financial assets				
Interest rate swaps and caps	-	368	-	368
Total assets	**-**	**368**	**-**	**368**
Financial liabilities				
Interest rate swaps and caps	-	151	-	151
Total liabilities	**-**	**151**	**-**	**151**

The Company relies on the fair valuation of derivatives from the 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 that the entity can access at the measurement date

Level 2 **:** inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (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 amortised cost, 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 and contractors' bonds.

20 Fair value hierarchy for derivatives (continued)

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.

21 Capital commitments

Capital commitments contracted but not provided for in the financial statements are as follows:

	2022	2021
	$000	$000
EA Networks		
Electricity distribution network	615	446
Other - including Vehicles and contracting eqiupment	582	244
Fibre network	5	-
Total capital commitments	**1,202**	**690**

22 Contingent liabilities

EA Networks has no contingent liabilities.

In relation to prior year matters: In September 2021 the Commerce Commission issued a warning to EA Networks for contravening section 87 of the Commerce Act by failing to comply with the price path by $3.3 million in the 2021 assessment period and section 103 of the Commerce Act by failing to comply with the annual price setting compliance statement requirements in the 2021 assessment period. The Commerce Commission has also accepted EA Network's enforceable undertakings for contravention of section 87 of the Commerce Act by failing to comply with the price path in the 2020 assesment period. There are no further contingent liabilities in relation to this matter.

23 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:

	2022	2021
	$000	$000
Short term employment benefits	1,945	1,612
Post-employment benefits	-	-
Long term benefits	-	-
Termination and other benefits	35	184

There were no outstanding benefits at balance date.

24 Subsequent events

There are no events after the balance date that would materially affect these financial statements.

25 Other information

For-profit

EA Networks is the trading name for Electricity Ashburton Limited, a for-profit 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 for-profit 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.

The Company is an issuer of terms of the Financial Markets Conduct Act 2013 and its financial statements comply with that Act. The Company is included in the small co-operative exemption in accordance with this Act.

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 on an historical cost basis, except where stated otherwise in the accounting policies.

Use of estimates and judgements

The preparation of financial statements requires the use of accounting estimates which, by definition, seldom equal the actual results. Management also needs to exercise judgement in applying EA Network's accounting policies.

This note provides an overview of the area that involves a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be wrong. Detailed information about each of these estimates and judgements is included in other notes together with information about the basis of calculation for each affected line item in the financial statements. In addition, this note also explains where there have been actual adjustments this year as a result of an error of changes to previous estimates.

Significant estimates and judgements

Impairment of property, plant and equipment: Network reticulation assets' depreciation rates are as stated in the ODV Handbook issued by the Commerce Commission in 2004. These rates are considered a reasonable estimate of useful lives.
Fair value of derivative financial instruments: EA Networks has certain financial assets and liabilities which are measured at fair value. Where fair value has not been able to be determined based on a quoted price, a valuation model has been used. The inputs to these models are observable, where possible, however these techniques involve significant estimates and therefore fair value of the instruments could be affected by changes in these assumptions and inputs.
Receivables: The receivables at reporting date are reviewed to determine whether there is any objective evidence that any of the receivables are impaired. An impairment provision is included for any receivable where the entire balance is not considered collectible. The impairment provision will be based on the best information at the reporting date.
Lease classification: Judgement is required on various aspects that include, but are not limited to, the fair value of the leased asset, the economic life of the leased asset, whether or not to include renewal options in the lease term, and determining an appropriate discount rate to calculate the present value of the minimum lease payments.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

Specific accounting policies

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 exclusive of GST, apart from receivables and payables, which include GST invoiced.

New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 March 2022 reporting periods and have not been early-adopted by the Company. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Directors' Report

EA Networks
For the year ended 31 March 2022

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 fibre network
- Contracting, electrical construction and maintenance services for distribution networks and end users
- Investment in other infrastructural assets such as:
  - Energy utilisation enhancement projects
  - Fibre network

Annual Resolution (section 10 of Co-operative Companies Act 1996)
The directors of EA Networks unanimously resolved on 27 April 2022 that in the opinion of the directors for the year ended 31 March 2022, 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 Evalutation 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 the CEO, 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 affect 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.

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, 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 keeping 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 a 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

There were no changes to directors during the current year.

Directors Remuneration

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

	Chairperson	Committee chairs	Base directors	Total
P McKendry	43,631		43,631	87,262
P Munro		5,100	43,631	48,731
A Barlass		5,100	43,631	48,731
J Holland		-	43,631	43,631
A Gray		-	43,631	43,631
R Fitzgerald		5,100	43,631	48,731
	43,631	**15,300**	**261,786**	**320,717**
Payments to members of the shareholders committee				55,890
Total				**376,607**

Related Party Transactions

All transactions between Directors or members of the Shareholders Committee and EA Networks have been undertaken on an arm length basis.

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 offence. 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 2022 are specified in the following bands:

Salary band	Number of staff	Salary band	Number of staff	Salary band	Number of staff
$100,000-$109,999	18	$150,000-$159,999	5	$260,000-$269,999	2
$110,000-$119,999	7	$160,000-$169,999	4	$270,000-$279,999	1
$120,000-$129,999	11	$170,000-$179,999	3	$390,000-$399,999	1
$130,000-$139,999	6	$180,000-$189,999	5		
$140,000-$149,999	5	$210,000-$219,999	1		

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:

	2022	2021
Audit of financial statements	111,356	83,000
Other assurance services relating to regulatory compliance	136,509	106,500
Other non-assurance services - regulatory advice	20,000	27,373
Access to training material through an online platform	595	-
	268,461	**216,873**

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

27 June 2022

Independent auditor's report

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

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 2022, 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).

What we have audited

The financial statements comprise:

- the statement of financial position as at 31 March 2022;
- 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 significant accounting policies and other explanatory information.

Basis for opinion

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

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

Independence

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

Our firm carries out other services for the Company in the areas of compliance with regulatory requirements of the Commerce Act 1986, the provision of regulatory and industry update advisory services and access to training materials through an online platform. In addition, certain partners and employees of our firm may deal with the Company on normal terms within the ordinary course of trading activities of the Company. The provision of these other services, these relationships and the access to training materials have not impaired our independence as auditor of the Company.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual report (but does not include the financial statements and our auditor's report thereon). The other information we obtained prior to the date of this auditor's report comprised the Director's report, highlights and performance trends information. The remaining other information is expected to be made available to us after that date.

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

In connection with our audit of the financial statements, our responsibility is to read the other information 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.

When we read the other information not yet received, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Directors and use our professional judgement to determine the appropriate action to take.

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.

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/assurance-standards/auditors-responsibilities/audit-report-8/

This description forms part of our auditor's report.

Who we report to

This report is made solely to the Company's members, 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 members, as a body, for our audit work, for this report or for the opinions we have formed.

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

For and on behalf of:

PricewaterhouseCoopers.

Chartered Accountants
28 June 2022

Christchurch