Electricity Ashburton Limited *trading as*

EA Networks

Annual Report

For the year ended 31 March 2023

Contents

EA Networks
For the year ended 31 March 2023

Directory

EA Networks
For the year ended 31 March 2023

BOARD OF DIRECTORS
Andrew Barlass (Chair)
Anthony Gray
Cole Groves
Janine Holland
Paul Munro
Richard Fitzgerald
Leandra Fitzgibbon - Intern Director

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

MANAGEMENT

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

OFFICE
EA Networks
22 JB Cullen Drive
Ashburton Business Estate
Ashburton 7772

CONTACT
Telephone 03 307 9800
Fax 03 307 9801
Email: enquiries@eanetworks.co.nz

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, 329 Durham Street
Christchurch 8013

Highlights

EA Networks

For the year ended 31 March 2023

ELECTRICITY NETWORK PERFORMANCE HIGHLIGHTS

20,988 customer connections	↑	**up 323 from last year**
599 gigawatt hours of electricity delivered	↑	**up 30GWh from last year**
156 MW network maximum demand	↓	**down 3MW from last year**
331 total number of faults	↓	**down 11 from last year**
SAIDI unplanned (normalised): 63.41	↑	**up 2.10 from last year**
SAIDI planned (normalised): 121.45	↑	**up 14.81 from last year**
SAIFI unplanned (normalised): 1.1852	↑	**up 0.21 from last year**
SAIFI planned (normalised): 0.4587	↑	**up 0.10 from last year**

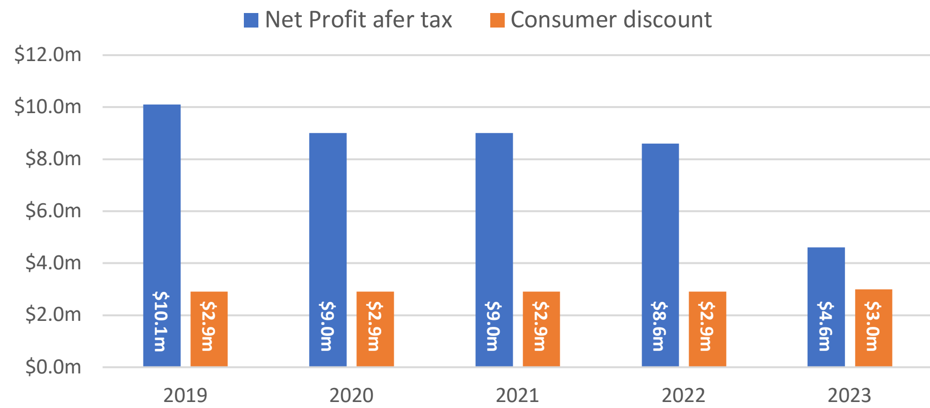
[1] SAIDI = Average minutes a customer is without power during the year.

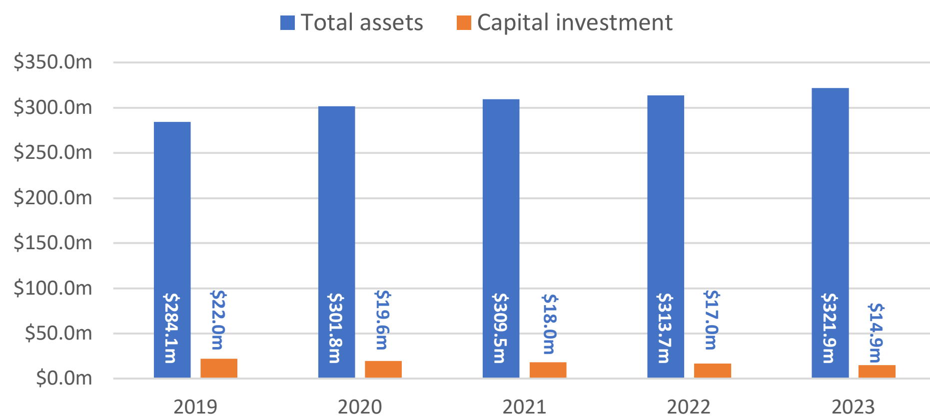
[2] SAIFI = Average supply interruptions per customer during the year.

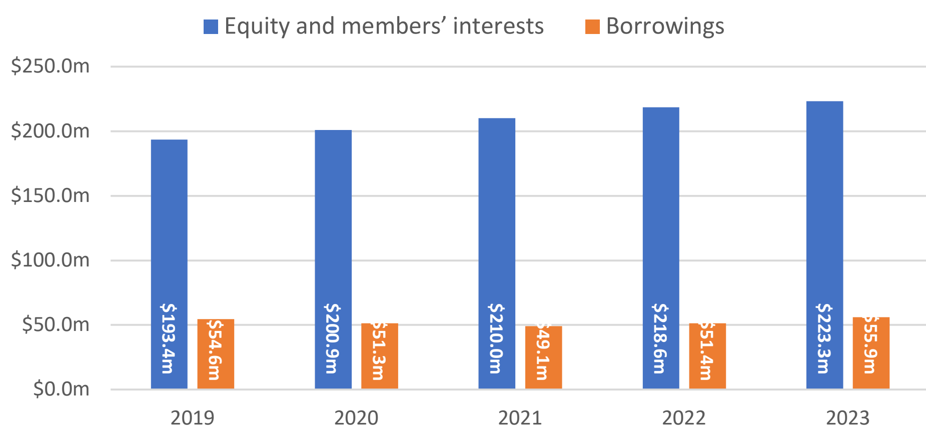
Performance Trends

EA Networks

For the year ended 31 March 2023







Statement of Comprehensive Income

EA Networks

For the year ended 31 March 2023

	Notes	2023	2022
		$000	$000
INCOME			
Operating revenue		49,369	47,617
Consumer discount		(2,999)	(2,927)
Total operating income after consumer discounts	2	**46,370**	**44,690**
EXPENSES			
Operating expenses	3	26,269	20,314
Depreciation and amortisation		11,587	11,863
Derivative financial instruments		**37,856**	**32,177**
FINANCE INCOME AND EXPENSES			
Finance income		-	15
Finance costs	4	2,111	608
Net finance income (costs)		**(2,111)**	**(593)**
Surplus (deficit) for the year before taxation		**6,403**	**11,920**
Taxation	5	1,798	3,349
Surplus (deficit) for the year after taxation		4,605	8,571
Other comprehensive income		-	-
Total comprehensive revenue and expenses for the year		**4,605**	**8,571**

Statement of Changes in Equity and Members' Interests

EA Networks

For the year ended 31 March 2023

	Notes	Retained earnings	Deferred shares	Rebate shares	Total
		$000	$000	$000	$000
EQUITY					
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
Derivative financial instruments	7			(78)	(78)
Balance as at 31 March 2022		**185,758**	**31,484**	**1,385**	**218,627**
Comprehensive income					
Net profit after taxation		4,605			4,605
Transactions with owners					
Shares issued	7			109	109
Shares repaid	7			(5)	(5)
Balance as at 31 March 2023		**190,363**	**31,484**	**1,489**	**223,336**

Statement of Financial Position

EA Networks

For the year ended 31 March 2023

	Notes	2023	2022
		$000	$000
EQUITY AND MEMBERS' INTERESTS		**223,336**	**218,627**
Represented by:			
CURRENT ASSETS			
Cash and cash equivalents		242	241
Inventories	8	8,480	4,880
Tax refund due		1,142	47
Trade and other receivables	10	6,666	6,541
Naming rights	11	67	67
Derivative financial instruments	14	405	-
Total current assets		**17,002**	**11,776**
NON-CURRENT ASSETS			
Intangible assets	9	508	786
Naming rights	11	399	466
Property, plant and equipment	12	295,171	291,794
Right of use assets	13	8,276	8,505
Derivative financial instruments	14	580	368
Total non-current assets		**304,934**	**301,919**
TOTAL ASSETS		**321,936**	**313,695**
CURRENT LIABILITIES			
Trade and other payables	15	4,893	5,854
Lease liabilities	13	111	1,712
Borrowings	19	-	-
Employee entitlements	16	2,064	2,201
Derivative financial instruments	14	-	-
Total current liabilities		**7,068**	**9,767**
NON-CURRENT LIABILITIES			
Deferred tax liabilities	6	35,042	33,227
Lease liabilities	13	640	533
Borrowings	19	55,850	51,390
Derivative financial instruments	14	-	151
Total non-current liabilities		**91,532**	**85,301**
TOTAL LIABILITIES		**98,600**	**95,068**
NET ASSETS		**223,336**	**218,627**

For and on behalf of the board

Director

Director

30 June 2023

Statement of Cash Flows

EA Networks

For the year ended 31 March 2023

	Notes	2023	2022
		$000	$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		48,824	45,081
Consumer discount paid		(2,890)	(2,792)
Interest received		-	15
GST net movement		(185)	84
Payments to suppliers and employees		(29,990)	(22,734)
Interest paid		(2,646)	(1,798)
Taxation paid		(1,080)	(245)
Total cash flows from operating activities	17	**12,033**	**17,611**
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipts from sale of property, plant and equipment		386	287
Investment in property, plant and equipment		(14,874)	(16,431)
Payments to acquire Intangibles		(228)	(415)
Total cash flows from investing activities		**(14,716)**	**(16,559)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from Borrowings		55,850	51,390
Repayments from Borrowings		(51,390)	(49,090)
Principal elements of lease payments		(1,771)	(3,192)
Payments for shares bought back from owners		(5)	(79)
Total cash flows from financing activities		**2,684**	**(971)**
NET INCREASE IN CASH HELD		**1**	**81**
Cash and cash equivalents at start of year		241	160
Cash and cash equivalents at end of year		**242**	**241**

Notes to the Financial Statements

EA Networks

For the year ended 31 March 2023

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 periiod

There have been no changes in accounting policies during the year ended 31 March 2023. All policies have been applied on a basis consistent with those used in prior years.

2 Operating revenue

	2023	2022
	$000	$000
Revenue from contracts with customers		
Distribution line charge revenue	42,006	41,743
Less consumer discount	(2,999)	(2,927)
Net distribution line charge revenue	**39,007**	**38,816**
Capital contributions	1,503	1,323
Fibre network revenue	1,192	1,148
Lease rental income	369	349
Other income including contracting revenue	4,299	3,054
Total operating revenue	**46,370**	**44,690**

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

pwc

2 Operating revenue (continued)

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 the asset is commissioned. A liability for unearned revenue is in recognised when cash is recevied in advance (refer Note 15).

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

	2023	**2022**
	$000	$000
Pass-through and recoverable costs^	6,679	4,959
Employee benefit costs (see note 3a)	7,005	5,888
Distribution system maintenance & fault costs	4,432	4,245
Directors fees and shareholders' committee fees	425	395
Rental expenses	10	57
Audit fees - financial statements (see note 3b)	107	111
Loss on sale of Assets	507	305
Other operating expenses including contracting activities	7,104	4,354
	26,269	**20,314**

^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)

	2023	2022
	$000	$000
a) Employee benefit costs		
Expensed during the year	7,005	5,888
Included as part of distribution system maintenance & fault cost and capitalised as part of property, plant and equipment	7,365	7,625
Total employee benefit costs for the year	**14,370**	**13,513**
b) Audit fees		
Audit fees - financial statements	107	111
Other assurance services relating to regulatory compliance	91	137
Other non-assurance services - regulatory advice	-	20
Access to training material through an online platform	-	1
Total expenses incurred for services acquired from PwC	**198**	**269**

4 Finance costs

	2023	2022
	$000	$000
Interest expense on lease liabilities	124	207
Interest expense on loans	2,406	1,343
Bank fees associated with financing	350	466
Movements in derivatives associated with financing	(769)	(1,408)
Total finance costs	**2,111**	**608**

5 Taxation

	2023	2022
	$000	$000
Income tax expense		
Current tax on profit for the year	(17)	2,433
Prior period tax adjustment	-	1
Increase in deferred tax expenses for the year	1,815	915
Total income tax expense	**1,798**	**3,349**
Reconciliation of income tax		
Net profit before taxation	6,403	11,920
Prima facie taxation at 28%	1,793	3,338
Tax effect of:		
Non-deductible expenses	5	10
Prior year tax adjustments	-	1
Income tax expense for the year	**1,798**	**3,349**

5 Taxation (continued)

	2023	2022
	$000	$000
Imputation credit account		
Opening Balance 1 April	31,437	31,192
Tax paid	1,080	1,093
Tax refunded	(46)	(848)
Closing Balance 31 March	**32,471**	**31,437**

6 Deferred tax liabilities

	Tax Losses	PPE	Leases	Other	Total
	$000	$000	$000	$000	$000
Balance 1 April 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**
Prior period adjustment	-	(20)	-	47	27
Early repayment of new investment contracts	-	-	(10)	-	(10)
Tax Losses to Carry Forward	(1,024)	-	-	-	(1,024)
Tax expense	-	2,573	84	165	2,822
Balance 31 March 2023	**(1,024)**	**36,601**	**(243)**	**(292)**	**35,042**

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**
2022				
Shares (thousands)	28,750	1,385	266	30,401
Value of shares ($000)	$31,484	$1,385	$0	$32,869
2023				
Shares (thousands)	28,750	1,489	292	30,531
Value of shares ($000)	$31,484	$1,489	$0	$32,973

Total number of rebate shares authorised as at 31 March 2023 is 1,781,662 (2022: 1,651,200)

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

	2023	**2022**
	$000	$000
Distribution system	7,967	4,382
Fibre network	513	498
	8,480	**4,880**

Assets are subject to a negative pledge arrangements. (refer Note 19)

Accounting policies relating to inventories

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

9 Intangible assets

	2023	2022
	$000	$000
Software		
Opening purchase cost	6,052	6,016
Additions during the year	229	414
Disposals during the year	(1,727)	(378)
Closing purchase cost	**4,554**	**6,052**
Opening accumulated amortisation	5,312	4,922
Amortisation for the year	461	390
Depreciation on Assets Scrapped/Sold	(1,727)	-
Closing accumulated amortisation	**4,046**	**5,312**
Net book value	508	740
Add work in progress	-	46
Total intangibles	**508**	**786**

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

	2023	2022
	$000	$000
Trade receivables	6,144	5,549
Prepayments	560	994
Expected credit loss provision	(38)	(2)
Total trade and other receivables	**6,666**	**6,541**

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	2	4
Additions / (releases)	36	(2)
Closing balance	**38**	**2**

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

	2023	2022
	$000	$000
Naming rights to EA Networks Centre		
Purchase cost	1,000	1,000
Opening accumulated amortisation	467	400
Amortisation for the year	67	67
Closing accumulated amortisation	**534**	**467**
Carrying value of naming right	**466**	**533**
Made up from		
Current asset naming right	67	67
Non-current asset naming right	399	466
Carrying value of naming right	**466**	**533**

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

2023	Electricity network	Broadband fibre	Buildings & other PPE	Vehicles & contracting equipment	Total
Cost					
Balance 1 April 2022	388,629	25,605	19,783	16,580	450,597
Additions	13,896	840	64	559	15,359
Disposals	(2,600)	-	(939)	(765)	(4,304)
Balance 31 March 2023	**399,925**	**26,445**	**18,908**	**16,374**	**461,652**
Accumulated depreciation					
Balance 1 April 2022	136,324	12,093	7,899	11,903	168,219
Additions	7,859	1,295	505	1,034	10,693
Depreciation Recovered	(1,896)	-	(939)	(592)	(3,427)
Balance 31 March 2023	**142,287**	**13,388**	**7,465**	**12,345**	**175,485**
Net book value					
as at 31 March 2023	257,638	13,057	11,443	4,029	286,167
Work in progress	8,569	225	210		9,004
Total net book value	**266,207**	**13,282**	**11,653**	**4,029**	**295,171**

12 Property, plant and equipment (continued)

2022	Electricity network	Broadband fibre	Buildings & other PPE	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)
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
Additions	7,556	1,284	568	1,236	10,644
Depreciation Recovered	(3,840)	-	-	(533)	(4,373)
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**

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

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 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**
Balance 1 April 2022	8,340	162	3	8,505
Lease re-measurements	20	-		20
Lease addition	-	-	132	132
Amortisation	(335)	(13)	(33)	(381)
Balance 31 March 2023	**8,025**	**149**	**102**	**8,276**
Lease liabilities				
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**
Balance 1 April 2022	2,061	181	3	2,245
Lease re-measurements	20	-		20
Lease addition	-	-	132	132
Payments made	(1,714)	(20)	(36)	(1,770)
Interest charged	110	8	6	124
Balance 31 March 2023	**477**	**169**	**105**	**751**
Disclosed as follows:				
Current	54	20	37	111
Non-current	423	149	68	640
Balance 31 March 2023	**477**	**169**	**105**	**751**

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 2023 year an early repayment of $1.5M (2022:$2.5M) 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 $9k (2022:$5k).

14 Derivative financial instruments

	2023	**2022**
	$000	$000
Current assets		
Interest rate caps	19	-
Interest rate swaps	386	-
	405	**-**
Non-current assets		
Interest rate caps	105	61
Interest rate swaps	475	307
	580	**368**
Non-current liabilities		
Interest rate swaps	-	(151)
Net value of derivative financial instruments	**985**	**217**

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

	2023	2022
	$000	$000
Trade creditors	4,484	5,721
Revenue billed in advance	167	-
Interest accruals	242	133
Total trade and other payables	**4,893**	**5,854**

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 entitlement**
	$000	$000	$000
Balance as at 31 March 2021	**1,650**	**641**	**2,291**
Movement during the period	(69)	(21)	(90)
Balance as at 31 March 2022	**1,581**	**620**	**2,201**
Payouts during the period	(1,554)	(204)	(1,758)
Increase in provision	1,556	65	1,621
Balance as at 31 March 2023	**1,583**	**481**	**2,064**

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

	2023	2022
	$000	$000
Net profit after taxation	**4,605**	**8,571**
Add (subtract) non-cash items		
Depreciation and amortisation	11,587	11,863
Movement in financial derivatives	(769)	(1,408)
Movement in deferred taxation	1,814	916
Loss (gain) on sale of property, plant and equipment	507	305
Discount used by shareholders to purchase shares	109	134
Finance Lease Interest	124	207
Total non-cash items	**13,372**	**12,017**
Movement in net current assets and liabilities		
Decrease (increase) in inventory	(3,598)	1,078
Decrease (increase) in trade and other receivables	(125)	(2,000)
Increase (decrease) in trade and other payables	(961)	(3,546)
Increase (decrease) in employee entitlements	(137)	(90)
Decrease/(increase) in taxation payable	(1,095)	2,190
Total net current assets/liabilities movement	**(5,916)**	**(2,368)**
Other movement		
Inventory transferred to property, plant and equipment	-	(225)
Trade and other payables relating to property, plant and equipment	(28)	(384)
Total other	**(28)**	**(609)**
Net cash flows from operating activities	**12,033**	**17,611**

how the numbers are calculated

18 Related party transactions

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

	Transaction total YE 2023	Balance as at 31 March 2023	Transaction total YE 2022	Balance as at 31 March 2022
	$000	$000	$000	$000
Ashburton District Council (significant shareholder of EA Networks, holding 28,750,000 deferred shares)				
EA paid for - rates	313	-	279	-
EA paid for - other services	20	-	142	-
EA charged for - contracting services	601	8	766	29
EA charged for - other services	103	58	37	3
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	787	63	233	130
EA paid for - other services			-	-
EA charged for - contracting services	4	3	5	-
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	10	-	3	-
EA charged for - Contracting services	5	5	-	-
Electraserve Limited (Alister Lilley is a director of Electraserve and a shareholders' committee member of EA Networks)				
EA paid for - contracting services	105	101	6	-
EA charged for - contracting services	96	3	48	1
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	14	-	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	11	2	13	1
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 BCI and EA Networks)				
EA charged for - contracting services	-	-	9	9
MHV Water (Cole Groves & Paul Munro are directors of both MHV Water, and EA Networks)				
EA charged for - contracting services	1	-	-	-
Chief Executive Officer (EA Networks Senior Leadership Team)				
EA charged for - the sale of vehicle	40	-	-	-

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

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 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**
Per Statement of Financial Position as at 31 March 2023				
Assets				
Current assets				
Cash and cash equivalents	242	-	-	-
Trade and other receivables	6,204	-	-	-
Derivative financial instruments	405		-	-
Non-current assets				
Derivative financial instruments	580	-	-	-
Total assets	**7,431**	**-**	**-**	**-**
Liabilities				
Current liabilities				
Cash and cash equivalents	-	-	-	-
Trade and other payables	-	-	4,893	-
Lease liabilities	-	-	111	-
Borrowings	-	-	-	-
Derivative financial instruments	-	-		-
Non-current liabilities				
Lease liabilities	-	-	640	-
Borrowings	-	-	55,850	-
Derivative financial instruments				-
Total liabilities	**-**	**-**	**61,494**	**-**

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 2023 (2022: 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.

	2023	**2022**
	$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	-	-
Maturing greater than 12 months		
Westpac multi option credit line facility	57,000	55,000
BNZ revolving credit facility	13,000	13,000
Total long term funding available	**70,000**	**68,000**
Contractual performance bonds		
Dollar value of bonds in place with Westpac	82	82
Number of bonds in place with Westpac	three	three

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

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
2022				
Maturity of swaps and caps in place	-	-	20,500	17,500
Interest rates			2.67-3.43%	2.03 - 4.35%
2023				
Maturity of swaps and caps in place	5,500	15,000	7,000	10,500
Interest rates	3.43%	2.67%	3.60 - 4.17%	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's 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
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	1.33 - 5.37%	4.35 - 5.37%	4.69 - 5.37%	4.69 - 5.37%
2023				
Locked-in interest cost on principal to maturity	700	553	250	509
Principal repayment				55,850
Effective total	700	553	250	56,359
Interest rates on principal due	3.85% - 6.15%	3.85% - 5.99%	3.85% - 5.99%	3.85% - 5.99%

Long-term funding maturity dates		
BNZ revolving credit facility	01 April 2025	13,000
Westpac multi option credit line facility	01 April 2026	28,500
Westpac multi option credit line facility	01 April 2028	28,500

The BNZ and Westpac facilities are unsecured and subject to a negative pledge arrangements.

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.

	2023	2022
	$000	$000
Increase of 1% interest rates as at reporting date		
Profit before income tax	179	134
Other comprehensive income	-	-
Decrease of 1% interest rates as at reporting date		
Profit before income tax	(179)	(134)
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: (i) Earnings before interest, tax, and rebate are greater than or equal to 3.5 times Interest, (ii)Earnings before Interest & Tax are not less than 2.5 times Funding Costs (to 31 March 2023) and (iii)Earnings before Interest, Tax & Depreciation are not less than 3 times Funding Costs (from 31 March 2023)

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

Net debt reconciliation

	2023	2022
	$000	$000
Net debt		
Cash and cash equivalents	242	241
Liquid investments	-	-
Borrowings repayable within one year	-	-
Borrowings repayable after one year (including overdraft)	(55,850)	(51,390)
Total net debt	**(55,608)**	**(51,149)**

	Cash/bank overdraft	Borrowings due within 1 year	Borrowings due after 1 year	Total
	$000	$000	$000	$000
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)**
Cash flows	1	-	(4,460)	**(4,459)**
Balance as at 31 March 2023	**242**	**-**	**(55,850)**	**(55,608)**

risk

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 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**
As at 31 March 2023				
Financial assets				
Interest rate swaps and caps	-	985	-	985
Total assets	**-**	**985**	**-**	**985**

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:

	2023	2022
	$000	$000
EA Networks		
Electricity distribution network	450	615
Other - including Vehicles and contracting eqiupment	60	582
Fibre network	2	5
Total capital commitments	**512**	**1,202**

22 Contingent liabilities

EA Networks has no contingent liabilities.

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:

	2023	2022
	$000	$000
Short term employment benefits	2,027	1,945
Post-employment benefits	-	-
Long term benefits	-	-
Termination and other benefits	-	35

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.

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.

25 Other information (continued)

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.

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 2023 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.

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 29 March 2023 that in the opinion of the directors for the year ended 31 March 2023, 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
The Board has three committees to perform work and provide specialist advice in certain areas.
Our Board works to the principle that committees should enhance effectiveness in key areas, while still retaining Board responsibility

The Audit and Risk Committee assists 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, business assurance and external audit functions and risk management.

The People, Culture and Sustainability Committee assists the Board to fulfil its responsibilities in realtion to People, organsiation culture and renumeration matters, and environmental, social and governance matters.

The Health and Safety Committee supports the Board in relation to health and safety governance.

Directors
During the year, P McKendry retired and C Groves was appointed both effective 31 August 2022

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

	Chairperson	**Committee chairs**	**Base directors**	**Total**
P McKendry	19,315		19,316	38,631
A Barlass	27,042	2,750	46,357	76,149
P Munro		5,500	46,357	51,857
C Groves			27,042	27,042
J Holland		2,750	46,357	49,107
A Gray		-	46,357	46,357
R Fitzgerald		5,500	46,357	51,857
	46,357	**16,500**	**278,143**	**341,000**
Payments to members of the shareholders' committee				84,493
Total				**425,493**

Related Party Transactions
All transactions between Directors or members of the Shareholders' Committee and EA Networks have been undertaken on an arm length basis. (refer Note 18 of the Financial Statements)

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.

Employee Remuneration
The number of employees whose total remuneration including non-cash benefits was over $100,000 during the year ended 31 March 2023 are specified in the following bands:

Renumeration Band	Number of Staff	Renumeration Band	Number of Staff	Renumeration Band	Number of Staff
$100,000 - $109,999	15	$150,000 - $159,999	8	$200,000 - $209,999	1
$110,000 - $119,999	7	$160,000 - $169,999	4	$260,000 - $269,999	1
$120,000 - $129,999	4	$170,000 - $179,999	5	$270,000 - $279,999	1
$130,000 - $139,999	7	$180,000 - $189,999	5	$420,000 - $429,999	1
$140,000 - $149,999	4	$190,000 - $199,999	2		

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:

	2023	2022
Audit of financial statements	107,000	111,356
Other assurance services relating to regulatory compliance	91,000	136,509
Other non-assurance services - regulatory advice	-	20,000
Access to training material through an online platform	-	595
	198,000	**268,460**

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

30 June 2023

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 2023, 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 2023;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity and member's 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 assurance over compliance with regulatory requirements of the Commerce Act 1986. 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 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.

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.

PricewaterhouseCoopers, PwC Centre, 60 Cashel Street, PO Box 13244, Christchurch 8141, New Zealand
T: +64 3 374 3000, pwc.co.nz

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.

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

30 June 2023

Christchurch