



**OUR PLACE. OUR HOME
OUR COMMUNITY**



“Each day spent out in the field working for Network Waitaki is a rewarding opportunity. I know every morning I get up and go to work they have my back by providing a safe workplace with a real sense of caring, and by providing exceptional training, vehicles, tools and equipment required to get the job done.”

Adam Illingworth Line Mechanic



BUSINESS PERFORMANCE HIGHLIGHTS

HEALTH & SAFETY



257 Field safety interactions

LTIs Lost Time Injuries	1
LTIFR* Lost Time Injury Frequency Rate	1.48
TRIFR* Total Recordable Injury Frequency Rate	2.98

*per 200,000 hours worked

NETWORK PERFORMANCE



13,092 Connections

Maximum Demand	63.7 MW
Energy volume	281.7 GWh
SAIDI System Average Interruption Duration	124.1 MIN.
SAIFI System Average Interruption Frequency	1.2

FINANCIAL



Revenue
\$25.7 MILLION

Net Profit **\$4.2M**

Capital Expenditure **\$7.9M**

Total Assets **\$118.1M**

COMMUNITY

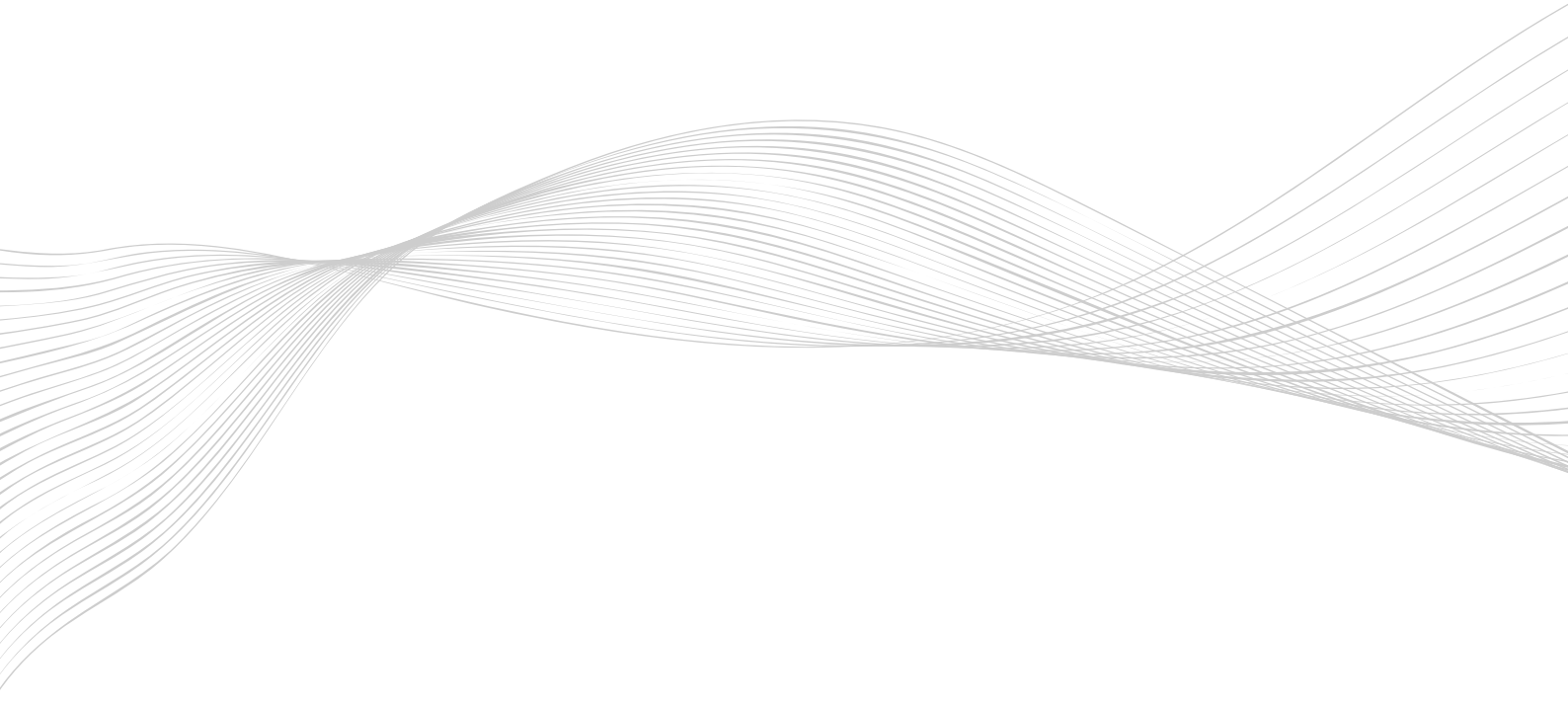


\$1.17 MILLION
Discounts

Donations **\$108,945**

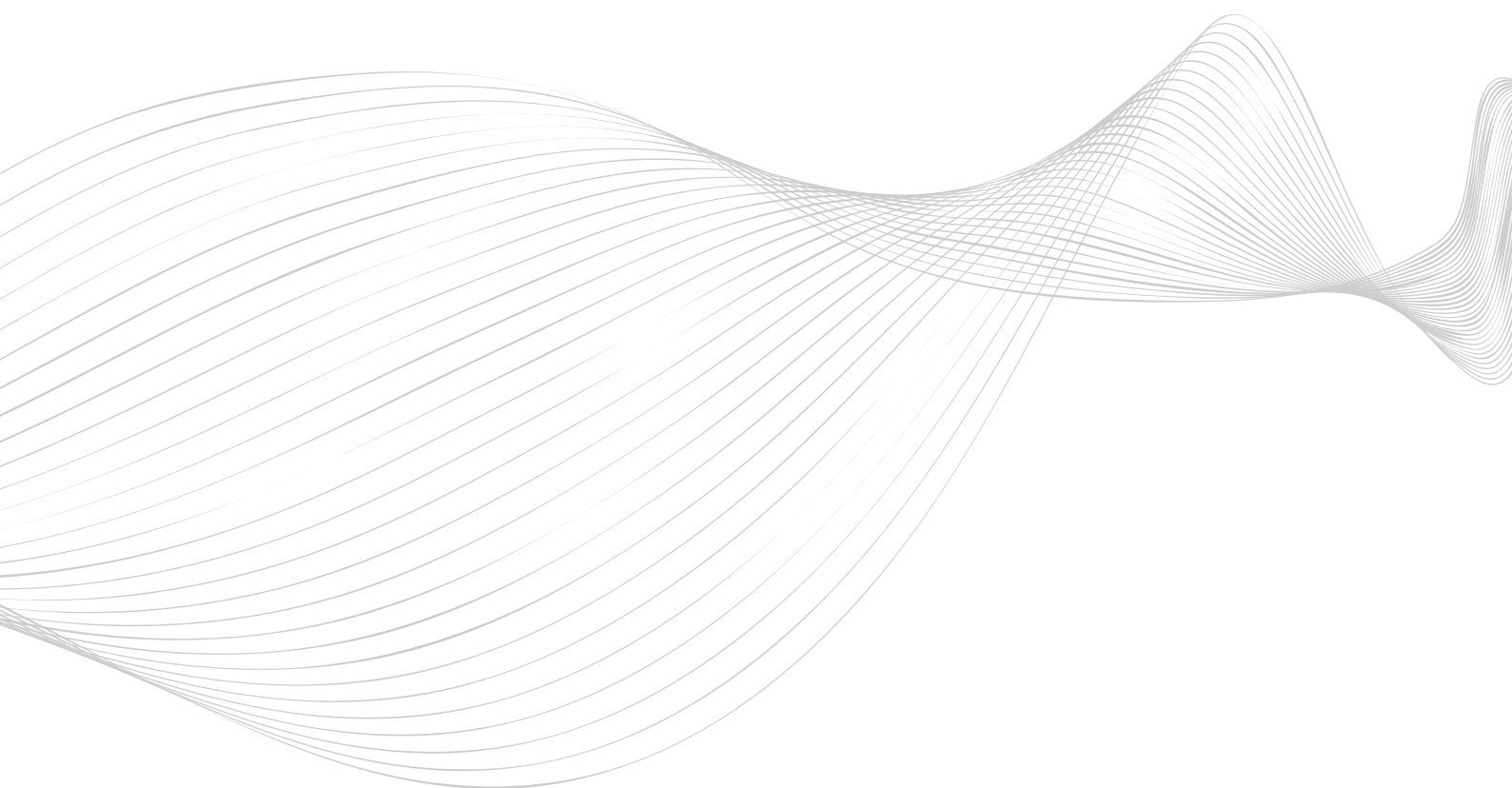
Organisations benefiting **45**

Payments to local staff and suppliers
\$9.3M



CONTENTS

Business Performance Highlights	2
Chairman and Chief Executive Report	6
Annual Review	8
Board of Directors	22
Management Team	24
Governance Report	26
Company Trend Statement	28
Directors' Responsibility Statement	29
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FINANCIAL STATEMENTS	
Comprehensive Income	30
Changes in Equity	30
Financial Position	31
Cash Flows	32
Notes to the Financial Statements	33
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Statement of Service Performance	49
Independent Auditor's Report	51
Statutory Information	55
Directory	57





CHAIRMAN & CHIEF EXECUTIVE REVIEW

“As a consumer trust owned lines business, we play an important role in powering our local economy, ensuring the delivery of safe, reliable and cost-effective electricity to homes and businesses.”

Chris
Dennison



Geoff
Douch



It is our pleasure to report on an outstanding year of performance and progress for Network Waitaki.

As a consumer trust owned lines business, we play an important role in powering our local economy, ensuring the delivery of safe, reliable and cost-effective electricity to homes and businesses. We provide the benefits of trust ownership back to electricity consumers through our pricing methodology, our discounts and to the wider community through sponsorship, employment and regional investment. Our performance in the year has delivered on all of these objectives.

Our network supplies geographically and economically diverse parts of the Waitaki area – the urban area surrounding the vibrant Oamaru town, coastal and inland communities, and a large agricultural sector which is a key part of the economy. We have a range of stakeholders and customers (including our electricity consumers) and understanding and meeting their requirements is key to our success. To this end, we are increasing our communication and engagement with all our stakeholders – which includes an overhaul of our Annual Report.

The past year saw a changing of the guard with a new Chief Executive joining the business in April, and during the year the appointment of two new Directors, Jonathan Kay and Michael de Buyzer, to the Board. With this change comes the opportunity to take a fresh look at the business and the exciting future ahead of us. This was reflected in the redevelopment of our long-term strategy leading to a new Mission and Vision.

Performance against key safety, network performance and financial measures during the year was in line with targets. Improvements were seen in a number of health and safety metrics, however there was unfortunately one Lost Time Injury. Network SAIDI performance at 124.1 minutes was favourable to target of 150 minutes, and SAIFI of 1.2 was within the target band. An overall net profit (NPAT) of \$4.2 million from revenue of \$25.7 million exceeded targets, owing largely to increased energy volumes on the network and strong contributions from customer growth projects. This positions us well for investment in the network, upgrading facilities and investigating new technologies in the coming years.

Despite an excellent year for the business, there are some dark clouds looming in our future. As the financial year drew to a close the world was significantly impacted by the COVID-19 pandemic which has, and will continue to, seriously impact public health, the economy, and the way we do business. A focus on the year ahead will be to adapt to the ‘new normal’ and continue to operate a successful and sustainable business, being adaptable to the uncertain environment we will be operating in.

Geoff Douch
Chief Executive

Chris Dennison
Chairman



POWERING — OUR — FUTURE



OUR MISSION

“Promoting regional growth and wellbeing through the provision of innovative and sustainable energy solutions for our customers”

OUR VISION

Powering a vibrant Waitaki



Powering our region's businesses
Image courtesy of Scotts Brewing Co.



A key initiative during the year was the redevelopment of our long-term strategy and from this an updated Mission and Vision for the company.

With the support of our shareholder, the Waitaki Power Trust, we have broadened our scope of activities with a goal of evolving into an innovative and sustainable energy solutions provider for our customers, which includes leveraging our competencies in contracting and engineering in new markets. This reflects the environment we are operating in now where customer requirements and expectations are changing, the impacts of decarbonisation which will increase and change electricity consumption patterns, and the need to ensure we remain relevant and sustainable over the long term.

The ultimate goal of this strategy is to ensure we continue to have a successful and profitable business, that we remain relevant to our customers, and keep the price of electricity lines charges in the Waitaki area reasonable.

While there is an exciting future for the energy sector and the opportunities to grow our business, our focus remains on excellence in the core network business.



HEALTH, SAFETY & WELLNESS

“Keeping our people and our community safe is a top priority. Our goal is to ensure that no harm comes to anybody from our assets and our operations.”



Our safety performance during the year was consistent with previous years, although unfortunately with one Lost Time Injury to a team member – thankfully not serious.

257 Field safety interactions

LTIs	1
LTIFR*	1.48
TRIFR*	2.98

*per 200,000 hours worked

Increased levels of worker engagement and participation in safety and risk management were a highlight of the year and significant focus was placed on the improvement of our processes and systems, as well as revisiting our critical safety risks and critical controls.

An external review of our safety systems was undertaken which led to a revised three-year safety business plan to work towards ISO45001 accreditation. We received a successful revalidation of our NZS7901 Public Safety Management System in March 2020 following a review by Telarc.

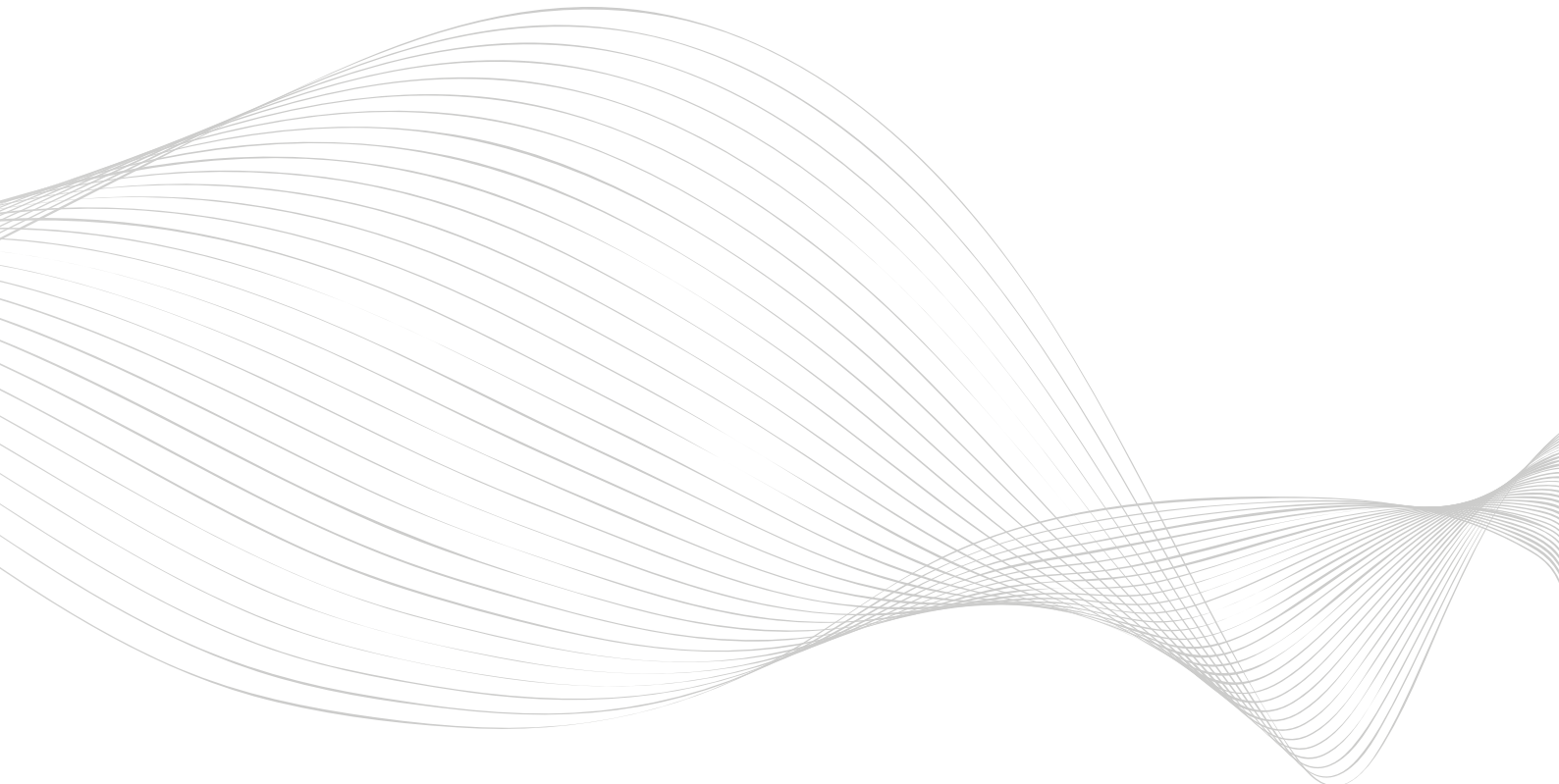
A priority for the year ahead is continuing to increase focus on the 'health' aspect of Health and Safety, with a particular focus on employee wellness, fitness for work, and mental health.





NETWORK PERFORMANCE

“The network continued to perform well during the year with strong results in all measures.”



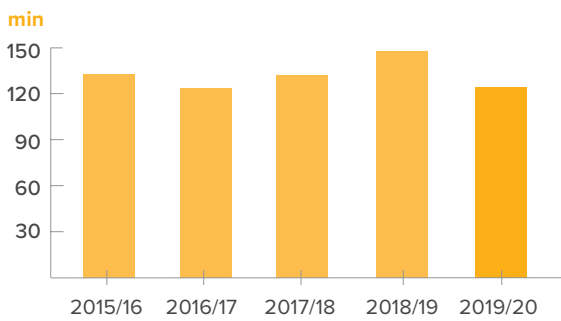
Energy volumes delivered for the year at 281.7 GWh were up from the 254.3 GWh in the previous year and contributed to the favourable revenue position.

Reliability improved from the previous year with a SAIDI result of 124.1 minutes (down from 148 minutes) and a SAIFI result of 1.2 (down from 1.7). Overall, planned outage numbers decreased by 25% as a result of the change in types of work being undertaken on the network and increased use of live work techniques or other methods of outage mitigation.

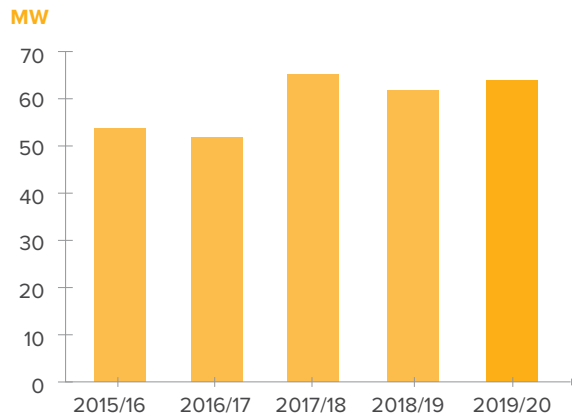
The number of unplanned (fault) outages decreased by 5%, with a 9% reduction in SAIDI impact.

The network maintenance and asset replacement programmes for the year were completed within budget, with an emphasis on pole safety and critical defects. This was reflected in reduced numbers of faults arising from equipment failure compared to previous years.

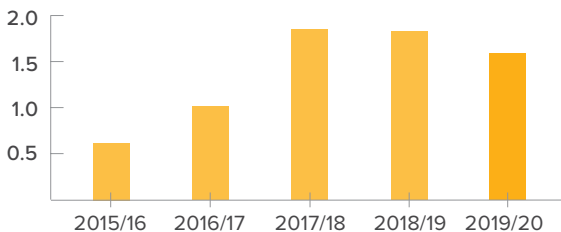
SAIDI Result – average outage duration



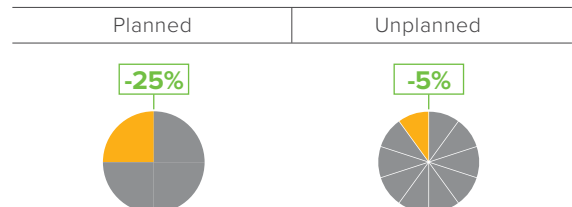
Maximum demand on the network



SAIFI Result – average outage frequency



Outages





FINANCIAL PERFORMANCE

Overall revenue was favourable to budget at \$25.7 million and \$2.7 million ahead of last year. This revenue growth has been driven by higher energy volumes on the network (\$1.6 million) and significant increases in external contracting revenue (\$1.0 million) which was more than 96% up on 2019. Revenue from new connections has remained steady at \$1.8 million.

The resulting NPAT for 2020 was \$4.2m, well ahead of 2019 results of \$2.8 million, and our 2020 budget of \$2.5 million.

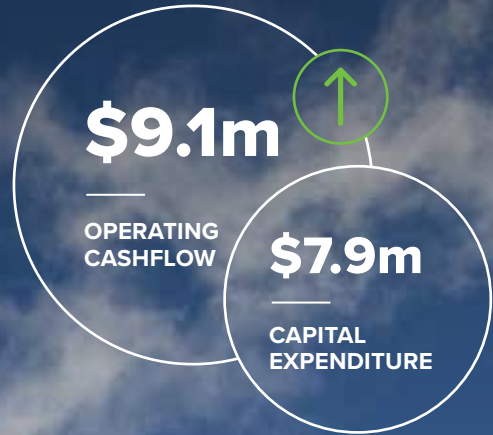
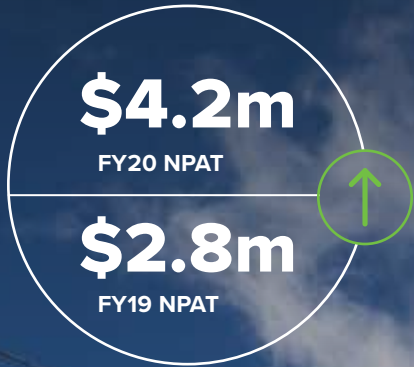
The strong financial performance has generated operating cashflows of \$9.1 million, up from \$7.6 million in 2019 and has enabled our capital investment program into plant, equipment and network assets totalling \$7.9 million to be completed and still increase cash reserves to \$8.1 million at year end. These cash reserves leave us well placed as we embark on our 2020-2021 capital investment programme and considering the economic uncertainty arising from the COVID-19 pandemic.



Powering our regions businesses
Image courtesy of Whitestone Cheese

“Our financial performance during the year exceeded expectations.”





“Our business success depends on our people.”

OUR PEOPLE

Every role in our business contributes to the overall experience our customers receive and our safe and efficient operation.

Therefore, we need to have great people on the team. To achieve this we have increased our HR capability during the year and launched new training and development programmes, including a focus on leadership development for our current and future people leaders.

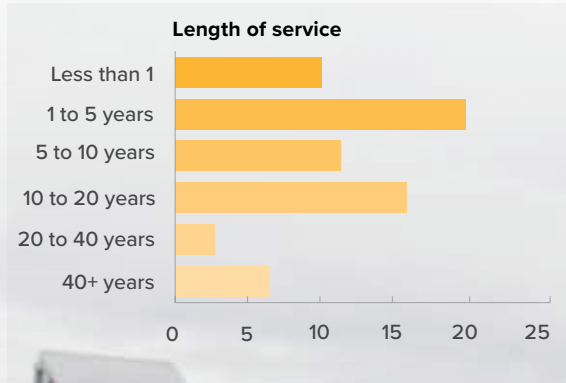
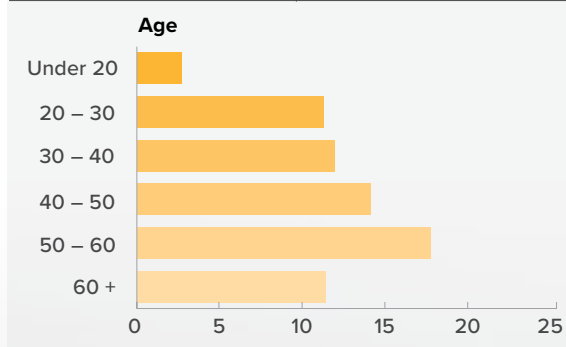
Being an employer of choice in North Otago and in our industry is our objective and ensures we have a supply of talented individuals in the business. This provides capacity to take on new projects, gains access to new skills and capabilities to help us deliver our strategic objectives and provides for succession planning.



8 Female



61 Male



SWITCH ON YOUR FUTURE



The “Switch on Your Future” advertising campaign was successfully launched as part of our recruitment process for new engineers and trades roles in the business.

We took on three trainee line mechanics, three graduate engineers and awarded one student scholarship during the year. These seven people have been able to secure a rewarding career in their home town.

3  **TRAINEES**

3  **GRADUATE ENGINEERS**

1  **SCHOLARSHIP**

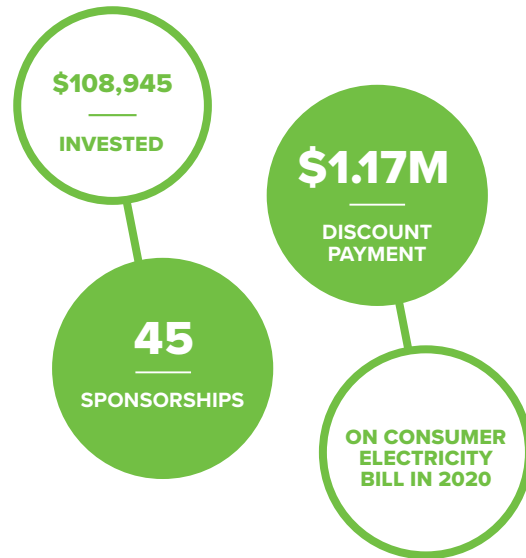


POWERING —OUR— COMMUNITY



POWERING OUR COMMUNITY

As a 100% consumer trust owned company, our objective is powering our community and ensuring the benefits of trust ownership flow back to electricity consumers.



We gave back to the Waitaki community during the year by way of sponsorships to 45 local sports, cultural and community support organisations, who received a total of \$108,945.

While many of these donations are only small, they make the difference for these organisations and help make the Waitaki area a better place to live and play.

The most powerful way we share the benefits of trust ownership and our business success is our annual consumer discount payment, which in 2020 was \$1.17 million. This discount appeared as a credit on electricity consumers bills in March or April. In addition to this discount payment, our average lines charges are among some of the lowest in the country which means the delivered cost of electricity to consumers in our area is reasonably priced compared to other areas.

Over the past decade, Network Waitaki has given back over \$21 million (inclusive of GST) to our community in sponsorship and discounts.

Other community initiatives include the continued provision of electric vehicle fast chargers in Hampden, Oamaru, Kurow and Omarama. These were made available at no cost for users as part of our community support programme. Combined, these chargers provided 51,230 kWh of energy which is estimated to have given over 280,000 km of travel distance and avoided CO2 emissions in our region.

During the year we increased communications and engagement with the community and key stakeholders through media, social media and face to face meetings. As an integral part of the Waitaki community and powering the local economy it is important we have a close connection to our wider group of stakeholders to understand their needs and expectations. This is an area we will continue to work on.

Our annual exhibit at the North Otago A&P show attracted the crowds, and we shared information on our business, the role we play in the community, key safety messages and for the kids (and big kids) rides in our bucket truck which provided a bird's eye view over the event and gave people a taste of what we do.

We continue to enjoy a strong and constructive relationship with the Waitaki Power Trust, our 100% shareholder, who represent electricity consumers in the Waitaki area





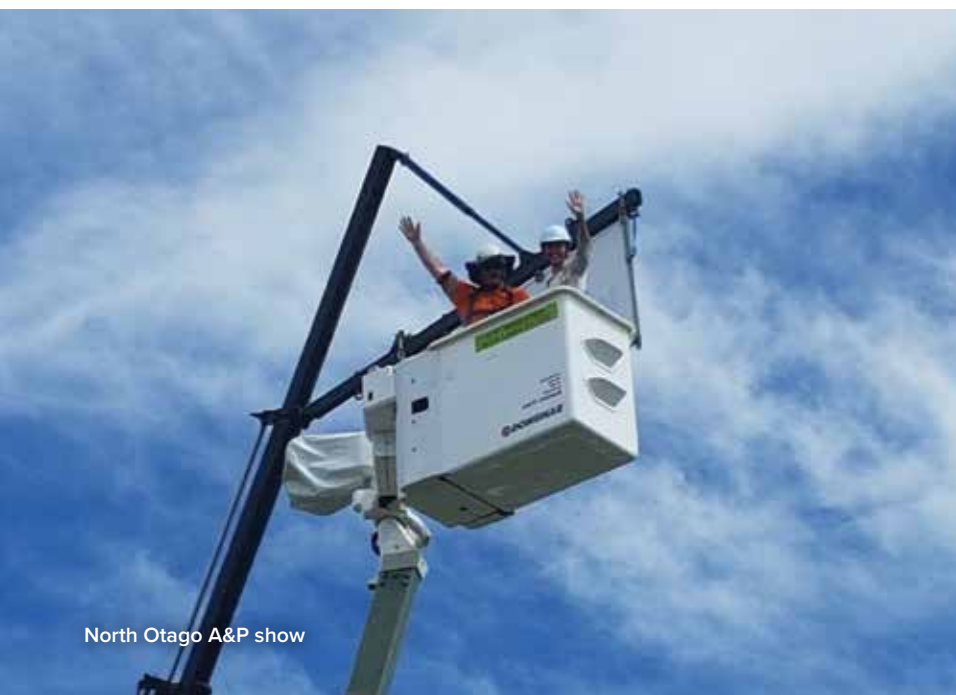
Christmas in the Park



Citizens Advice Bureau



Presbyterian Support Buddy Programme



North Otago A&P show



Network Waitaki Victorian Fete
Image courtesy of the Oamaru Whitestone Civic Trust



Harbour St Jazz Festival



North Otago A&P show



Network Waitaki Victorian Fete
Image courtesy of the Oamaru Whitestone Civic Trust



North Otago Netball Centre



North Otago Rugby

BOARD OF DIRECTORS



Chris Dennison
BCom (Ag)
Chairman

Chris joined the Board in 2013 and was appointed Chair in 2017. Chris owns a family farming business at Hilderthorpe growing a range of arable crops as well as a dairy farm. In addition to a BCom (Ag) Chris is a graduate of the Rabobank Executive development program.

Chris is a Chartered member of the Institute of Directors and has held governance positions with Ravensdown Fertiliser, Farmlands Cooperative, TracMap, and Lower Waitaki Irrigation as well as leadership roles within Federated Farmers and the Waitaki Irrigators collective.



Chris Bailey
MSc, B PhD (Hons), Grad Cert
ACE Mgmt, Dip Proj Mgmt
Director

Chris Joined the Board in 2017. Chris is a leadership coach and professional director. Current governance roles include i.t.online, Cactus Outdoor, Albion Clothing and Queenstown Medical Centre. He has won awards in governance and business innovation and has previous Board experience in not-for-profits and digital start-ups. Chris was an executive at High Performance Sport NZ and at Veterinary Enterprises Group.



Michael de Buyzer
LLB
Director

Michael joined the Board in July 2019. He has been a partner with Berry & Co, Lawyers, Oamaru for over 30 years.

Michael has been a Director of Whitestone Contracting Limited since 2008 and its Chair since 2016; and is a founding trustee of the Observatory Village Charitable Trust, the sole shareholder of the Observatory Village companies; a former Director of the Highlanders Rugby Franchise and NZ Law Limited. Michael has extensive governance experience and a broad legal practice which incorporates provision of advice to a varied mix of commercial entities.



Jonathan Kay
BE (Chemical & Materials)
(Hons), ME, DipBus
Director

Jonathan joined the Board in 2019. Jonathan brings a wealth of experience in the energy sector, in particular the commercialisation of emerging technologies. He is currently a Director of Waipa Networks, Chair of cleantech incubator NextIdea, and the independent Chair of the Electricity Networks Association's Smart Technology Working Group. Prior to joining the Board he has held senior management positions at Vector, Unison Networks and Landis+Gyr.



Mike Underhill
BE (Electrical), MCom (Hons),
FENZ, AMP (Harvard)
Director

Mike joined the Board in 2018 and is the Chair of the Risk Committee. He has had extensive governance and management experience in the energy sector and is currently a director of Electra and Chairs its Audit & Risk Committee. Previously he has been a director of TransAlta NZ, Citipower, EECA and chaired the Security and Reliability Council of the Electricity Authority. Mike has also held CEO roles at EnergyDirect, WEL Networks, TransAlta NZ and EECA.

Mike is passionate about energy efficiency and renewables and the potential they have for mitigating climate change.



Tony Wood
BCom CA
Director

Tony was appointed as a director in June 2012 and is Chair of the Finance and Audit Committee. He is a Chartered Accountant operating a medium sized practice in Oamaru from which he is able to bring a wealth of both business and local knowledge to the board.

He is active in the local community, past Chair of North Otago Search & Rescue and remains an operational field team leader and member of the search incident management team.

MANAGEMENT TEAM



Geoff Douch
Chief Executive

Geoff was appointed as Network Waitaki's Chief Executive in April 2019. Prior to joining Network Waitaki, Geoff held senior management roles at Counties Power and Wellington Electricity, with responsibility for network management and operations. Previous experience includes commercial, engineering and project management roles within the electricity distribution sector.

Geoff is currently the vice president of the Electricity Engineers Association.

He has a degree in Electrical Engineering, a Graduate Diploma in Business, has completed the Advanced Management Programme at the Melbourne Business School and is a Member of the Institute of Engineering and Technology (UK).



Casey Blatch
Chief Financial Officer

Casey joined Network Waitaki in January 2020. Casey brings with him over six years of international financial experience and 12 years of experience in finance leadership roles in growth focused agricultural and FMCG groups. Casey has held senior finance roles at Almarai, Synlait Milk and most recently was CFO at Al Safi Danone.

He has degrees in Commerce (Accounting) and Law from University of Otago, Diploma in Investor Relations from University of Melbourne and has completed the Strategic CFO programme at Auckland Business School. Casey is a Chartered Accountant and a full member of Chartered Accountants Australia and New Zealand.



Craig Conlan
Planning Manager

Craig joined Network Waitaki in 2009 and has had responsibility for network planning since 2017.

Craig leads Network Waitaki's planning and network development functions where he is responsible for determining our customers' energy needs and developing network and non-network solutions to deliver these. He is also responsible for evaluating new technology and the impacts and opportunities that may arise from this.

Craig holds a degree in Electrical Engineering and a Graduate Certificate in Science. He is also a member of the Electricity Engineers Association, Engineering New Zealand, and the Illumination Engineers Society of Australia and New Zealand.



Tod Trotman
Asset Manager

Tod has been with Network Waitaki since 2014.

As Asset Manager, Tod is responsible for developing the long-term strategies and short-term work programs to ensure that the network delivers a safe and reliable service to our customers.

Tod has 17 years experience in the distribution industry, including asset management, engineering, project management and technical support roles. He also has experience in building services consultancy and electronics manufacturing.

Tod has a Bachelor's Degree and Graduate Diploma in Electrical and Electronic Engineering from the University of Canterbury.



Brad Fleming
Engineering Manager

Brad joined Network Waitaki in 2010 and took on responsibility for leading the engineering team in 2017. As Engineering Manager, Brad is responsible for delivering the maintenance programme, customer and network capital programmes, as well as the control room operations function of the business.

He has a degree in Electrical Engineering and is a Chartered professional engineer and member of Engineering New Zealand and the Electricity Engineers Association.



Alan Hasell
Information & Digital Technology Manager

Alan joined Network Waitaki in 2019, leading the Information and Digital Technology team.

He has substantial IT experience with management roles in Application Development, IT Operations, Architecture and Security, and holds current certificates in Project Management, IT standards, and IT security.

Alan has worked across government and private sector including previous experience in the electricity sector for Network Waitaki's predecessor and a national retailer, as well as more recent management experience in IT operations and security for a large government department.



Derek McGee
Contracting Manager

Derek has over 40 years engineering, construction and management experience working for Network Waitaki and its predecessors.

As Contracting Manager, Derek is responsible for ensuring Network Waitaki has a safe and effective field operations team to deliver the construction and maintenance requirements of the company, and to provide contracting services to our customers.

He has an NZCE (Electrical), is a Registered Engineering Associate, and is an Associate Member of Engineering New Zealand.



Cornel van Basten
Regulatory Manager

Cornel joined Network Waitaki in October 2015 and was appointed Regulatory Manager in December 2017. She is responsible for network pricing, regulatory affairs and compliance, as well as customer services.

Before joining Network Waitaki, Cornelia had more than 20 years' experience in the energy sector across government, regulatory bodies and the private sector in South Africa.

She has degrees in Commerce and has recently completed an MBA from Massey University.



Chris Webb
Health, Safety and Risk Manager

Chris joined Network Waitaki in 2019 and has responsibility for the health, safety and risk management functions of the business.

Chris has experience in health and safety management across a range of industries including manufacturing, construction, mining and the public sector within Australia and New Zealand.

He has a range of qualifications in health and safety, training design and delivery, auditing, and including a Graduate Diploma in Occupational Health and Safety.

GOVERNANCE REPORT

Roles and responsibilities of the Board and management

The primary objective of the Board is to protect and enhance the value of the company.

To ensure that Network Waitaki's business objectives and strategies are achieved and to deliver value to the Company and its shareholder, the Board strives to understand, meet and appropriately balance the expectations of all its stakeholders, including its employees, customers and the wider community.

In carrying out its responsibilities and powers, the Board at all times recognises its overriding responsibility to act honestly, fairly, diligently and in accordance with the law. The Board works to promote and maintain an environment within Network Waitaki that establishes these principles as basic guidelines for all of its employees and representatives.

The Chief Executive has responsibility for the day-to-day management of Network Waitaki. He is supported in this function by the Network Waitaki management team. Details of the members of the management team are set out on pages 24-25 of this annual report and on our website (<https://www.networkwaitaki.co.nz/company/about-nwl/networkwaitaki-management-team/>). The Board maintains the ultimate responsibility for strategy and control of Network Waitaki.

Board Membership

Network Waitaki's Board comprises experienced directors from diverse backgrounds and who govern the Company on behalf of its shareholder and other stakeholders. The Board comprises six directors, all of whom are non-executive.

Biographies are set out on pages 22-23 of this annual report. The current directors possess an appropriate mix of skills, expertise and diversity to enable the Board to discharge its responsibilities and deliver the Company's strategic priorities.

Director Independence

The Board has reviewed the position and relationships of all directors in office and considers that all directors are independent.

Board Committees

There are currently two Board committees, a Finance and Audit Committee and a Risk Committee. Each committee has a written charter setting out its purpose, objectives, responsibilities, structure and composition, meetings, and procedure, authority and reporting.

The members and chairs of each committee are:

Committee	Members
Finance and Audit Committee	Tony Wood (Chair)
	Chris Bailey
	Chris Dennison
Risk Committee	Mike Underhill (Chair)
	Michael de Buyzer
	Jonathan Kay

In addition to these two standing committees, the Board has convened a safety committee consisting of all Board members that meets prior to each Board meeting. This special committee specifically oversees operational and strategic health and safety matters. This enables the Board to ensure appropriate focus is given to this critical area of our business.

External Auditor

In accordance with Section 45 of the Energy Companies Act 1992, the Controller and Auditor-General are responsible for the audit of Network Waitaki Limited. In accordance with Section 29 of the Public Finance Act 1977, the Controller and Auditor-General have contracted the audit of Network Waitaki Limited to Nathan Wylie using the staff and resources of PricewaterhouseCoopers. The auditor's fee for 2019/20 is \$71,900 (2018/19 was \$72,400).

Risk Management

Network Waitaki operates in an environment where it is subject to a wide range of operational and strategic risks. Network Waitaki has a systematic approach to identifying and managing those risks to ensure it operates a safe, compliant and sustainable business, with clear accountability for risk management across the business.

Risk management is overseen by the Board through its risk subcommittee, chaired by Mike Underhill. The Board remains responsible for approving risk management policy, setting and monitoring the risk appetite for the business, and ensuring management have an effective risk management framework in place. The key objectives of Network Waitaki's approach to risk management are:

- To protect people, the community, assets, reputation and financial position through effective identification, assessment, and management of risks
- To ensure the business remains sustainable, relevant and maintains its social licence to operate
- To achieve the mission, vision, and strategic objectives within an acceptable level of risk (our risk appetite)
- To maintain a flexible and evolving risk management framework aligned to the AS/NZS ISO31000 Risk Management Standard; To ensure the business has effective systems and tools to assist in the management and reporting of risks
- To regularly assess new or emerging risks, and to reassess previously identified risks in all aspects of the business operation
- Consideration of all types of risks and how robust risk management supports better informed decision making
- To regularly review the effectiveness of risk controls, and where necessary undertake assurance activities to verify effectiveness of controls
- To ensure transparency and awareness of risks and risk controls across the business, including to Board level
- To promote risk management processes and foster a culture of risk management awareness in all aspects of the business operations.

During the year, Network Waitaki introduced a new risk management policy and a revised risk management framework encompassing these key objectives.

Internal Audit

Network Waitaki does not consider its scale large enough to require a dedicated independent internal audit function.

Ethical and Responsible Behaviour

Underpinning our commitment to ethical and responsible behaviour is our code of conduct. The key principles of our code of conduct include:

- At Network Waitaki, we work ethically and professionally, aiming for excellence in everything we do
- We are committed to providing a modern, inclusive, and safe work environment that supports our employees and customers
- Network Waitaki employees will conduct themselves with integrity, will be fair and honest in their dealings and will treat others with the dignity they deserve
- Integrity at Network Waitaki means doing the right things and behaving properly at all times
- Network Waitaki will ensure employees understand that the way they conduct themselves as they go about their business has a direct relationship with the way people view the company
- Our team must work together and in partnership with customers and the wider community to provide a safe and healthy environment. We recognise how we behave reflects on Network Waitaki's reputation
- Minimum standards of behaviour and performance are necessary so that a harmonious and safe environment may exist in the workplace.

These principles are embedded in everything we do, including our core HR policies. During the year, we updated our code of conduct and introduced new bullying and harassment policies alongside our existing whistle blower policy.

TREND STATEMENT

FINANCIAL PERFORMANCE

\$000's	2020	2019	2018	2017	2016	2015
Operating Revenue (including interest)	25,875	23,150	23,889	22,782	23,796	26,903
Profit before Tax	5,758	3,994	5,158	4,644	7,260	7,887
Taxation	(1,549)	(1,213)	(1,425)	(972)	(2,036)	(2,137)
Net Surplus	4,209	2,781	3,733	3,672	5,224	5,750
Customer Discounts	1,167	1,479	1,580	1,741	1,768	1,729

FINANCIAL POSITION

\$000's	2020	2019	2018	2017	2016	2015
Current Assets	13,421	11,481	11,993	11,937	14,591	15,688
Non-Current Assets	104,702	100,409	95,828	91,376	85,551	79,444
Total Assets	118,123	111,890	107,821	103,313	100,142	95,132
Liabilities	21,339	19,315	18,027	17,152	17,653	17,867
Net Assets	96,784	92,575	89,794	86,161	82,489	77,265
Share Capital	14,571	14,571	14,571	14,571	14,571	14,571
Retained Earnings	82,213	78,004	75,223	71,590	67,918	62,694
Equity	96,784	92,575	89,794	86,161	82,489	77,265

FINANCIAL RATIOS

	2020	2019	2018	2017	2016	2015
NPBT to Shareholders Funds	5.9%	4.3%	5.7%	5.4%	8.8%	10.2%
NPAT to Shareholders Funds	4.3%	3.0%	4.2%	4.3%	6.3%	7.4%
Ratio of Shareholders' Funds to Total Assets	81.9%	82.7%	83.3%	83.4%	82.4%	81.2%
NPBT Earnings Per Share in Cents	41.13	28.53	36.84	33.17	51.86	56.34
Net Assets Per Share	\$6.91	\$6.61	\$6.41	\$6.15	\$5.89	\$5.51

NETWORK PERFORMANCE

	2020	2019	2018	2017	2016	2015
SAIDI (normalised)	124.11	148.29	134.70	124.16	135.74	51.07
SAIFI (normalised)	1.21	1.68	1.69	1.06	0.76	1.10

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for ensuring that the financial statements give a true and fair view of the financial position of Network Waitaki Limited as at 31 March 2020 and its financial performance and cash flows for the year ended on that date.

The Directors consider that the financial statements of Network Waitaki Limited have been prepared using appropriate accounting policies consistently applied and supported by reasonable judgements and estimates and that all relevant reporting and accounting standards have been followed.

The Directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of Network Waitaki Limited and facilitate compliance of the financial statements with the Financial Reporting Act 2013.

The Directors consider they have taken adequate steps to safeguard the assets of Network Waitaki Limited and to prevent and detect fraud and other irregularities.

The Directors have pleasure in presenting the Financial Statements of Network Waitaki Limited for the year ended 31 March 2020.

The Board of Directors of Network Waitaki Limited authorises these Financial Statements for issue on 25 May 2020.

For and on behalf of the Board of Directors



Chris Dennison
Chairman of the Board



Tony Wood
Chairman of the Finance and Audit Committee

FINANCIAL STATEMENTS

These financial statements should be read in conjunction with the attached notes.

COMPREHENSIVE INCOME

for the year ended 31 March 2020

\$NZD	Notes	2020 \$	2019 \$
Operating Revenue	1	25,654,097	22,905,417
Less Customer Discount		(1,166,985)	(1,478,837)
Operating Revenue after Customer Discount		24,487,112	21,426,580
Less Operating Expenses	2	(6,150,256)	(4,621,692)
Transmission Costs		(4,524,724)	(4,840,864)
Employee Costs		(3,440,228)	(3,758,527)
Depreciation, Amortisation and Impairment	3	(4,705,844)	(4,389,802)
Operating Profit		5,666,060	3,815,695
Finance Income		221,286	244,951
Finance Costs		(129,150)	(66,355)
Finance Income Net		92,136	178,596
Profit Before Tax		5,758,196	3,994,291
Taxation		(1,549,489)	(1,213,292)
Net Profit for the Year		4,208,707	2,780,999
Total Comprehensive Income		4,208,707	2,780,999

CHANGES IN EQUITY

for the year ended 31 March 2020

\$NZD	Share Capital \$	Retained Earnings \$	Total Equity \$
Balance at 1 April 2018	14,571,119	75,223,268	89,794,387
Profit for the year, being total comprehensive income	-	2,780,999	2,780,999
Dividend Paid	-	-	-
Balance at 31 March 2019	14,571,119	78,004,267	92,575,386
Balance at 1 April 2019	14,571,119	78,004,267	92,575,386
Profit for the year, being total comprehensive income	-	4,208,707	4,208,707
Dividend Paid	-	-	-
Balance at 31 March 2020	14,571,119	82,212,974	96,784,093

FINANCIAL STATEMENTS

These financial statements should be read in conjunction with the attached notes.

FINANCIAL POSITION

as at 31 March 2020

\$NZD	Notes	2020 \$	2019 \$
Assets			
Current Assets			
Cash and Cash Equivalents		163,705	929,797
Short Term Deposits		7,950,000	5,900,000
Trade and Other Receivables	5	3,359,503	2,938,255
Inventories	6	1,934,886	1,704,623
Work in Progress		12,163	8,987
Taxation Receivable		-	-
Total Current Assets		13,420,257	11,481,662
Non-Current Assets			
Property, Plant and Equipment	9	103,267,400	99,905,590
Right-of-use Assets	10	1,115,394	-
Intangible Assets	11	319,672	503,199
Total Non-Current Assets		104,702,466	100,408,789
Total Assets		118,122,723	111,890,451
Liabilities			
Current Liabilities			
Trade and Other Payables	7	2,442,997	2,619,712
Employee Entitlements	8	575,328	735,105
Lease Liabilities	10	183,267	-
Taxation Payable		570,363	136,970
Total Current Liabilities		3,771,955	3,491,787
Non-Current Liabilities			
Loan from Waitaki Power Trust	12	1,150,000	1,150,000
Lease Liabilities	10	960,382	-
Deferred Tax	16	15,456,293	14,673,278
Total Non-Current Liabilities		17,566,675	15,823,278
Total Liabilities		21,338,630	19,315,065
Equity			
Share Capital	13	14,571,119	14,571,119
Retained Earnings	14	82,212,974	78,004,267
Total Shareholders' Equity		96,784,093	92,575,386
Total Liabilities and Shareholders' Equity		118,122,723	111,890,451

FINANCIAL STATEMENTS

These financial statements should be read in conjunction with the attached notes.

CASH FLOWS

for the year ended 31 March 2020

\$NZD	Notes	2020	2019
Cash Flows from Operating Activities			
<i>Cash was Provided from:</i>			
Receipts from Customers		24,065,864	20,918,172
Interest Received		221,286	244,951
		24,287,150	21,163,123
<i>Cash was Disbursed to:</i>			
Payments to Suppliers and Employees		(14,856,522)	(13,314,601)
Income Tax Paid		(333,080)	(185,155)
Interest Paid		(129,150)	(66,355)
Net GST Paid		171,382	46,775
		(15,147,370)	(13,519,336)
Net Cash from Operating Activities	4	9,139,780	7,643,787
Cash Flows from Investing Activities			
<i>Cash was Provided from:</i>			
Transfer from Term Deposits		-	850,000
		-	850,000
<i>Cash was Applied to:</i>			
Transfer to Term Deposits		(2,050,000)	-
Purchase of Property, Plant and Equipment and Intangible Assets		(7,682,139)	(8,970,376)
		(9,732,139)	(8,970,376)
Net Cash from Investing Activities		(9,732,139)	(8,120,376)
Cash Flows from Financing Activities			
<i>Cash was Applied to:</i>			
Principal Elements of Lease Payments		173,733	-
Net Cash from Financing Activities		(173,733)	-
Net Increase/(Decrease) in Cash Held		(766,092)	(476,589)
Cash and Cash Equivalents at Beginning of the Year		929,797	1,406,386
Cash and Cash Equivalents at End of the Year		163,705	929,797

NOTES TO THE FINANCIAL STATEMENTS

REPORTING ENTITY

Network Waitaki Limited is a consumer trust-owned electricity distribution network operator in the Waitaki region. The Company's registered office is 10 Chelmer Street, Oamaru, New Zealand. Network Waitaki Limited is wholly owned by Waitaki Power Trust. Network Waitaki Limited is a limited liability company incorporated and domiciled in New Zealand.

DATE OF APPROVAL

These financial statements have been approved for issue by the Board of Directors on 25 May 2020. The directors' do not have the power to amend the financial statements after its issue.

BASIS OF PREPARATION

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) as applicable for profit-oriented entities.

Network Waitaki Limited is:

- a New Zealand registered company under the Companies Act 1993
- an energy company as defined in the Energy Companies Act 1992.

The financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 2013, the Companies Act 1993 and the Energy Companies Act 1992.

The company is eligible and has elected to report in accordance with Tier 2 for-profit accounting standards, NZ IFRS Reduced Disclosure Regime (NZ IFRS RDR) on the basis that the company has no public accountability and is not a large public sector non-profit entity. In adopting NZ IFRS RDR, the company has taken a number of disclosure concessions.

The Company is a profit-oriented entity for the purpose of complying with NZ IFRS RDR.

Functional and Presentation Currency

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

Transactions denominated in foreign currencies are translated into the reporting currency using the exchange rate in effect at the transaction date. Foreign currency monetary items at balance date are translated at the exchange rate in effect at the balance date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates ruling at the date when the fair value is determined.

Exchange differences on foreign currency balances are recognised in the Statement of Comprehensive Income in the period that they occur.

GST

The Statement of Comprehensive Income and Statement of Cash Flows have been prepared so that all components are stated exclusive of GST. All items in the Statement of Financial Position are stated net of GST, with the exception of receivables and payables.

Measurement Base

The financial statements have been prepared on the historical cost basis, and its modification by the revaluation of certain assets as identified in specific accounting policies below. Accounting policies adopted and applied ensure that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported.

Use of Accounting Estimates and Judgments

The preparation of financial statements in conformity with NZ IFRS RDR requires management to make certain critical accounting estimates and judgments that affect the application of policies and the reported amount of assets, liabilities, income and expenses. The estimates and associated assumptions have been based on historical experience and other factors that are believed to be reasonable in the circumstances.

These estimates and judgments form the basis for the carrying values of assets and liabilities where these are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying judgments are regularly reviewed. Any changes to estimates are recognised in the period if the change affects that period, or in future periods if the change also affects future periods.

In the process of applying the Company's accounting policies, management has made the following estimates and judgments that have had the most significant impact on the amounts recognised in these financial statements:

- Network reticulation assets are depreciated at the rates provided by the OV handbook issued by the Commerce Commission in 2004. These rates are considered a reasonable estimate of useful lives
- Easements are recorded at cost.

Further details and the accounting policies utilising these judgements are included in note 9 of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

CoViD-19

On 11 March 2020 the World Health Organisation declared a global pandemic as a result of the outbreak and spread of CoViD-19. On 25 March 2020 New Zealand went into a stage 4 lockdown requiring all non-essential businesses whose employees cannot work from home to close for a four week period (extended by a further 5 days to 27 April 2020). Network Waitaki Limited is considered an essential business and was able to operate during the stage 4 lockdown with essential services and maintenance being performed. The Company continues to operate during lockdown stages 3 and 2.

Management and the board have considered the impact of CoViD-19 on relevant balances and disclosures in the financial statements. As the company is an essential service and has continued to operate there is no material impact on the financials.

NEW AND AMENDED STANDARDS ADOPTED BY THE COMPANY

Application of NZ IFRS 16: Leases

In the current year, the Company has adopted NZ IFRS 16: Leases for the first time in the annual reporting period commencing 1 April 2019. The Company had to change its accounting policies as a result of adopting NZ IFRS 16.

The company elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1 April 2019, not restating comparatives for the 2019 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 April 2019. The new accounting policies are disclosed in note 10.

Until 31 March 2019, leases of property, plant and equipment where the Company, as lessee, had substantially all the risks and rewards of ownership were classified as finance leases. The Company did not have any leases that were in this category.

Leases in which a significant portion of the risks and rewards of ownership were not transferred to the Company as lessee were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit and loss on a straight-line basis over the period of the lease.

Lease income from operating leases where the Company is a lessor is recognised in income on a straight-line basis over the lease term. Initial indirect costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The Company did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

Impact of the Change

On adoption of NZIFRS 16, the Company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of NZ IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the finance rate explicitly stated within the respective lease agreements. The weighted average financing rate applied to the lease liabilities on 1 April 2019 was 5.3%.

The company had no leases previously classified as finance leases and therefore has no remeasurement adjustments upon the adoption of NZ IFRS 16.

Practical expedients applied

In applying NZ IFRS 16 for the first time, the Company has used the following practical expedients permitted by the standard:

- Relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review
- Excluding initial direct costs for the measurement of the right-to-use asset at the date of initial application, and
- Using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Measurement of lease liabilities

\$NZD	1 April 2019
Operating lease commitments disclosed as at 31 March 2019	3,150,517
(Less): Transpower costs reclassified	(1,583,405)
Restated operating lease commitments as at 31 March 2019	1,567,112
Discounted using the lessee's weighted average financing rate	(249,102)
Add/(less): adjustments relating to changes in the rate affecting variable payments	1,888
Lease liability recognised as at 1 April 2019	1,319,898
Of which are:	
Current lease liabilities	173,722
Non-current lease liabilities	1,145,536
	1,319,258

Measurement of right-to-use assets

The associated right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 1 April 2019.

Performance

1. OPERATING REVENUE

Network Lines Revenue

The Company provides network lines services to customers allowing connection to the wider distribution network. Such services are recognised as a series of distinct goods or services and is recognised as one performance obligation satisfied over time as the customer simultaneously receive and consume the benefits of the service. Revenue is recognised as the service is being provided using an output method based on the actual delivery services provided on a daily basis.

Pricing is determined annually and retailers are charged based on a published price schedule and quantities delivered. Pricing includes a transmission and distribution charge relating to the operation of the network. Payment is due in respect of the network line service in the month following the service being provided. A receivable is recognised by the Company reflecting the amount owing for services provided.

As the delivery services are a promise to transfer a series of distinct services that are substantially the same, revenue is recognised based on a measure of progress for the single performance obligation that best depicts the transfer of services to the customer. It is therefore appropriate for revenue to be recognised in line with billing, as this best reflects the transfer of value to the customer. Revenue will be recognised over time.

Capital Contributions Revenue

The Company constructs assets and provides related electrical connection services to customers to enable a connection to the wider distribution network. Such contracts are not considered to have an enforceable right to payment for the performance obligation until the connection is complete. This single performance obligation is satisfied at a point in time when the electrical connection work is complete.

Pricing is determined with reference to the time and material associated with a specific contract for electrical work is based on the level of activity required to enable a connection. Payment is generally based on 50% deposit and the remainder due at the completion of the connection. A contract asset is recognised by the Company reflecting the amount owing for services provided.

As a practical expedient in line with NZ IFRS 15, Network Waitaki has not adjusted the promised amount of consideration for any deposit received in respect of electrical contract works for a significant component. This is due to the period between the Network Waitaki transfers the electrical work to the customer and when the customer pays for the electrical work being less than one year.

Contracting Revenue

The Company provides contracting services to a range of customers including the provision of labour to other electricity distribution businesses. Such contracts are not considered to have an enforceable right to payment for the performance obligation until the contracted work is complete. This single performance obligation is satisfied at a point in time when the contracted work is complete.

Pricing is determined with reference to the time and material associated with a specific job. Payment is due in respect of contracting services in the month following the service being provided. A receivable is recognised by the Company reflecting the amount owing for services provided.

Metering Revenue

Revenue received from the rental of meters is recognised in accordance with the relevant agreements.

NOTES TO THE FINANCIAL STATEMENTS

\$ NZD	2020	2019
The company derives revenue in the following major classifications:		
Revenue recognised over time		
Network Lines Revenue	20,147,611	18,548,887
Operating Revenue after Customer Discount		
Capital Contributions	1,829,496	1,790,631
Administration levy	132,998	140,404
Contracting	1,999,278	1,019,096
Fault Recoveries	147,774	147,099
	4,109,546	3,097,230
Other Revenue		
Metering	541,413	537,429
Bad Debts Recovered	-	461
Fibre Rent Received	409,035	401,630
Property and Other Rent Received	28,008	16,554
Loss Rental Rebate	367,038	245,500
Other Income	51,446	57,726
	1,396,940	1,259,300
	25,654,097	22,905,417

Note:

- i. As at 31 March 2020, the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) is \$385,917, of which 100% will be recognised as revenue during the next reporting period.
- ii. \$405,446 of revenue recognised in the reporting period was included in the contract liability balance at the beginning of the period.

2. OPERATING EXPENSES

\$ NZD	2020	2019
Operating Expenses Comprise:		
Operating Costs	5,626,088	4,076,255
Directors' Fees	229,835	227,045
Donations	108,945	116,745
Audit Fees (Financial Statements) – PwC	71,900	64,900
Audit Fees (Financial Statements) – PwC prior year	7,500	-
Audit Disbursements (Financial Statements) – PwC	5,295	10,250
Taxation Services – Other firms	9,544	15,316
Regulatory Audit Including Disbursements – PwC	47,063	35,040
Other services – PwC	24,248	-
Other Regulatory Audits – Other firms	18,911	34,809
Rent	-	15,751
Bad Debts Written Off	927	25,581
	6,150,256	4,621,692

3. DEPRECIATION, AMORTISATION AND IMPAIRMENT

\$ NZD	2020	2019
Depreciation of PPE Comprises:		
Buildings	83,189	69,551
Network Reticulation System	3,068,851	2,989,035
Meters and Relays	7,830	20,346
Plant and Equipment	777,214	694,698
Fibre Network	182,432	182,308
Intangibles	219,225	193,718
Total Depreciation of PPE	4,338,741	4,149,656
Loss on Disposal of Property, Plant and Equipment	165,115	240,146
Total Depreciation, Amortisation and Impairment of PPE	4,503,856	4,389,802
Depreciation of Right-to-use Assets Comprises:		
Network Reticulation System	177,942	-
Plant and Equipment	24,046	-
Total Depreciation of Right-to-use Assets	201,988	-
Total Depreciation, Amortisation and Impairment	4,705,844	4,389,802

4. RECONCILIATION OF NET PROFIT WITH CASHFLOW FROM OPERATING ACTIVITIES

\$ NZD	2020	2019
Net Profit for the Year	4,208,707	2,780,999
Add/(Less) Non-Cash Items:		
Depreciation and Amortisation	4,705,844	4,389,802
Deferred Taxation	783,015	806,691
	5,488,859	5,196,493
Add/(Less) Movements in Working Capital Items:		
(Increase) / Decrease in Trade and Other Receivables	(421,248)	(538,497)
(Increase) / Decrease in Inventories	(230,263)	(352,319)
(Increase) / Decrease in Work in Progress	(3,176)	(8,409)
Increase / (Decrease) in Tax Payable	433,393	221,446
Increase / (Decrease) in Trade and Other Payables	(176,715)	275,139
Increase / (Decrease) in Employee Entitlements	(159,777)	68,935
	(557,786)	(333,705)
Net Cash Flows from Operating Activities	9,139,780	7,643,787

NOTES TO THE FINANCIAL STATEMENTS

Working Capital

5. TRADE RECEIVABLES

Trade receivables are amounts due from customers for goods 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. The Company holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Details about the group's impairment policies and the calculation of the loss allowance are provided in the financial asset policy.

\$ NZD	2020	2019
Trade Receivables	2,866,974	2,413,063
Loss Allowance	(94,897)	(54,277)
Total Receivables	2,772,077	2,358,786
Other Receivables	325,265	365,251
Prepayments	262,161	214,218
Balance at End of Year	3,359,503	2,938,255
Less Non-Current Trade Receivables	-	-
Current Trade and Other Receivables	3,359,503	2,938,255
Trade and Other Receivables less than 90 days old	3,264,606	2,874,776
Trade and Other Receivables greater than 90 days old	94,897	63,479
	3,359,503	2,938,255

The company applies the simplified approach to measure the loss allowance on amounts due from customers and trade receivables at an amount equal to lifetime expected credit losses, taking into account the historic default experience and future prospects of the electricity industry.

6. INVENTORIES

Inventories are valued at the lower of cost and net realisable value, with additional allowance for obsolescence where necessary. The cost of finished goods comprises direct materials and, where applicable, direct labour and other direct variable costs incurred in order to bring inventories to their present location and condition. Costs are assigned to individual items of inventory on a weighted average cost basis.

\$ NZD	2020	2019
Stores Inventory	1,934,886	1,704,623

7. TRADE AND OTHER PAYABLES

Trade and Other Payables are recognised when the Company becomes obliged to make future payments resulting from the purchase of goods and services. Trade and Other Payables are recognised at fair value.

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

\$ NZD	2020	2019
Trade Payables	1,495,447	1,607,927
Accruals	360,758	576,846
Contract Liability - Capital Contributions	385,917	405,446
GST	200,875	29,493
Balance at End of Year	2,442,997	2,619,712

All trade and other payables have a maturity within one year

Contract Liability - Capital Contributions

\$ NZD	2020	2019
Opening Balance	405,446	279,321
Amount of transaction price received for unsatisfied performance obligations	1,942,965	2,057,160
Revenue recognised from performance obligations satisfied	(1,962,494)	(1,931,035)
Closing Balance	385,917	405,446

8. EMPLOYEE ENTITLEMENTS

Wages, salaries and annual leave

Employee Entitlements to salaries, wages and annual leave are recognised when they accrue to employees.

Sick and special leave

Employee Entitlements to sick and special leave are recognised when taken by employees. A provision is made for the additional amount that the Company expects to pay as a result of unused sick or special leave that has accumulated at balance date.

Long service leave

Long service leave is not recognised in the first 10 years of service. After 10 years of service an allowance is made of 1/5 per year towards long service leave entitlement. This allowance is then discounted back to current value. Employees are entitled to long service leave after serving for 15 years.

\$ NZD	2020	2019
Leave Entitlements	497,944	616,142
Other Entitlements	77,384	118,963
Total Employee Entitlements	575,328	735,105

NOTES TO THE FINANCIAL STATEMENTS

Non-Current Assets

9. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment comprise mainly buildings, land, meters and relays, and office equipment. Buildings, meters and relays purchased prior to the adoption of NZ IFRS, 1 April 2006, are shown at 'deemed cost' less subsequent depreciation and impairment write-down. Land purchased prior to 1 April 2006 is shown at deemed cost.

Property, Plant and Equipment acquired subsequent to the adoption of 'deemed cost', after 1 April 2006, is recorded at the value of the consideration given to acquire 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.

Network Reticulation Assets comprises mainly Low Voltage, 11kV and 33kV conductor and associated transformers and substations. Reticulation assets are shown at deemed cost less subsequent depreciation and impairment write-down. Reticulation assets are depreciated at the rates provided by the ODV handbook issued by the Commerce Commission in 2004. These rates are considered a reasonable estimate of useful lives.

Network Reticulation Assets acquired subsequent to the adoption of 'deemed cost' are recorded at the value of the consideration given to acquire the assets and 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.

Capital Contributions are amortised over 10 years.

Easements are recorded at cost. Assets sited on easements will normally be renewed at the end of their economic life in the same location in which they are currently housed. On this basis, the easement itself has an indefinite life. Annually, easements are tested for signs of impairment.

Contracting Equipment comprises mainly plant and equipment used in the construction and repair of network reticulation systems. Items are recorded at the value of the consideration given to acquire the assets and the value of 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.

Depreciation of Property, Plant and Equipment is provided on all property, plant and equipment, other than freehold land, at rates that will allocate the assets' cost or valuation, to their residual values, over their estimated lives. All network reticulation system assets and contracting equipment assets are depreciated on a straight line basis; other assets are depreciated using both straight line and diminishing value.

The following depreciation rates have been used:

Item	Depreciation Rate
Network Reticulation System	1.0% to 10.0%
Fibre Network	7.0%
Buildings	1.25% to 13.5%
Meters and Relays	14.3% to 20.0%
Plant and Equipment	5.0% to 67.0%

Gains and losses on disposal of property, plant and equipment are taken into account in determining the operating result for the year.

Work in progress

Work in progress is stated at actual direct costs incurred, less non-recoverable amounts.

Impairment

Assets that have an indefinite useful life, for example easements, are not subject to depreciation and are tested annually for impairment. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that have suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Property, Plant & Equipment

\$NZD	Network Reticulation System	Land & Buildings	Metres and Relays	Fibre Network	Plant and Equipment	Total
Gross Carrying Amount						
At 1 April 2018	119,124,660	2,662,774	2,595,397	2,604,400	6,603,301	133,590,532
Additions	7,266,215	1,028,177	-	-	707,011	9,001,403
Disposals	(646,221)	-	-	-	(11,829)	(658,050)
At 31 March 2019	125,744,654	3,690,951	2,595,397	2,604,400	7,298,483	141,933,885
Additions	6,561,038	252,681	-	-	1,033,171	7,847,890
Disposals	(557,039)	-	-	-	(187,093)	(744,132)
At 31 March 2020	131,749,653	3,943,632	2,595,397	2,604,400	8,144,561	149,037,643

Accumulated Depreciation and Impairment

At 1 April 2018	31,613,254	540,268	2,563,250	1,366,522	3,313,399	39,396,693
Charge for the Year	2,989,035	69,551	20,346	182,308	694,698	3,955,938
Disposals	(330,920)	-	-	-	(928)	(331,848)
At 31 March 2019	34,271,369	609,819	2,583,596	1,548,830	4,007,169	43,020,783
Charge for the Year	3,068,851	83,189	7,830	182,432	777,214	4,119,516
Disposals	(309,487)	-	-	-	(186,592)	(496,079)
At 31 March 2020	37,030,733	693,008	2,591,426	1,731,262	4,597,791	46,644,220

Net Book Values

At 31 March 2019	91,473,285	3,081,132	11,801	1,055,570	3,291,314	98,913,102
Work in Progress	895,247	90,174	-	-	7,067	992,488
	92,368,532	3,171,306	11,801	1,055,570	3,298,381	99,905,590
At 31 March 2020	94,718,920	3,250,624	3,971	873,138	3,546,770	102,393,423
Work in Progress	824,288	29,388	-	-	20,301	873,977
	95,543,208	3,280,012	3,971	873,138	3,567,071	103,267,400

10. LEASES

Until the 2019 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases. From 1 April 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

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

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

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally not the case for leases in the Company, the lessee's 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 similar economic environment with similar terms, security and conditions.

NOTES TO THE FINANCIAL STATEMENTS

The Company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. 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.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit and 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.

Leases

\$ NZD	2020	2019
Current	183,267	-
Non-current	960,382	-
Total Lease Liabilities	1,143,649	-

Interest expenses on these leases totalling \$65,727 (2019: Nil) is included in finance costs in the income statement.

Lessees – Operating Leases

No later than one year	-	239,460
Later than one year and no later than five years	-	922,523
Later than five years	-	405,129
	-	1,567,112

Prior year comparatives for operating leases have been adjusted to reflect the reclassification of some Transpower costs.

RIGHT-OF-USE ASSETS

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

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

Right-of-use assets are generally depreciated over the shorter of the assets useful life and the lease term on a straightline basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying assets useful life.

\$NZD	Network Reticulation System	Plant and Equipment	Total
Gross Carrying Amount			
At 31 March 2019	-	-	-
Adoption of NZ IFRS 16	1,228,833	88,549	1,317,382
1 April 2019	1,228,833	88,549	1,317,382

Accumulated Depreciation and Impairment

At 31 March 2019	-	-	-
Charge for the Year	177,942	24,046	201,988
Terminated Leases	-	-	-
At 31 March 2020	177,942	24,046	201,988

Net Book Values

At 31 March 2019	-	-	-
Adoption of NZ IFRS 16	1,228,833	88,549	1,317,382
1 April 2019	1,228,833	88,549	1,317,382
At 31 March 2020	1,050,891	64,503	1,115,394

LEASE INCOME

Lease income from operating leases where the Company is a lessor is recognised in income on a straight-line basis over the lease term. Initial indirect costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective lease assets are included in the balance sheet based on their nature. The Company did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

\$ NZD	2020	2019
Lessees – Operating Leases		
No later than one year	427,774	434,502
Later than one year and no later than five years	1,650,367	1,641,216
Later than five years	4,379,231	4,721,841
	6,457,372	6,797,559

11. INTANGIBLE ASSETS

Intangible Assets consist solely of computer software, which is recorded at the value of the consideration given to acquire 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.

Amortisation of intangible assets is provided for at rates that will allocate the assets' cost or valuation, to their residual values, over their estimated lives. All intangible assets are amortised on a straight-line basis. Intangible assets are carried at cost less accumulated amortisation.

The following amortisation rates have been used:

Item	Amortisation Rate
Computer Software	15% to 40%

\$ NZD	2020	2019
Purchased Software		
Gross Carrying Amount		
Opening Balance	1,810,132	1,710,499
Additions	8,819	99,633
Disposals	(348,482)	-
Closing Balance	1,470,469	1,810,132
Accumulated Amortisation and Impairment		
Opening Balance	1,306,933	1,113,215
Charge for Year	219,225	193,718
Disposals	(348,482)	-
Closing Balance	1,177,676	1,306,933
Net Book Value	292,793	503,199
Work in Progress	26,879	-
Carrying Amount	319,672	503,199

NOTES TO THE FINANCIAL STATEMENTS

Net debt and equity

CASH AND CASH EQUIVALENTS

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

SHORT TERM DEPOSITS

Short term deposits comprise cash deposits held with financial institutions with an original maturity greater than three months and less than twelve months. Interest income is recognised using the effective interest method.

FINANCIAL ASSETS

Classification

From 1 April 2018 the Company's only financial assets are measured at amortised cost.

Amortised Cost

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Recognition and Measurement

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial asset. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Impairment of Financial Assets

The Company recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVOCI, trade receivables and other receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company always recognises lifetime ECL for trade receivables and other receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as forecast direction of conditions at the reporting date, including time value of money where appropriate.

The Company writes off a financial asset where there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings or in the case of trade receivables when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries are recognised in the statement of comprehensive income.

BORROWINGS

Borrowings are initially measured at fair value plus transaction costs.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Statement of Comprehensive Income over the period of the borrowings, using the effective interest method.

BORROWING COSTS

Borrowing costs for assets are capitalised when the construction period of qualifying assets is greater than nine months. The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is the current cost of borrowing from financial markets.

12. LOAN FROM WAITAKI POWER TRUST

\$ NZD	2020	2019
Opening Balance at 1 April	1,150,000	1,150,000
Amount Drawn Down through to 31 March	-	-
	1,150,000	1,150,000

The loan is unsecured and interest charged on the loan is at commercial rates.

13. SHARE CAPITAL

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

\$ NZD	2020	2019
Fully Paid-up Ordinary Shares	14,000,000	14,000,000
Non-Issued Shares and Shares Held by the Company	-	-
Total Number of Ordinary Shares Authorised	14,000,000	14,000,000

The Company has one class of shares, which is "ordinary shares". Each ordinary share has a value of \$1.00 and ranks equally for voting and distribution rights. All shares are held by Waitaki Power Trust.

A share premium of \$571,119 was paid with the acquisition of shares.

As at the date of authorisation for issue of these financial statements, no dividends have been proposed or declared that are not recognised as a distribution in the 2020 year (2019 Nil).

14. RETAINED EARNINGS

Provision is made for the amount of any dividend declared on or before the end of the financial year but not distributed at balance date. Distribution of dividends to the Company shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Board of Directors.

\$ NZD	2020	2019
Balance at beginning of year	78,004,267	75,223,268
Net Surplus for Year	4,208,707	2,780,999
Total Number of Ordinary Shares Authorised	82,212,974	78,004,267

CAPITAL RISK MANAGEMENT

The Company's objective when managing capital, which comprises share capital plus retained earnings, is to safeguard the ability to continue as a going concern and to provide acceptable returns to shareholders.

The Company is not subject to any externally imposed capital requirements.

In order to maintain or adjust the capital structure, the Company may adjust the amount of discount paid to consumers.

FINANCIAL RISK MANAGEMENT

Risk management is carried out by management under policies approved by the Board of Directors. Management identifies and evaluates relevant financial risks and acts to manage these risks where possible within the parameters set out by the board of directors. The board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk and credit risk.

Market risk

i. Foreign exchange risk

The Company's revenue is entirely denominated in New Zealand dollars and it has limited currency exposure in the foreseeable future. The Company may from time to time purchase assets denominated in foreign currency. Board approval is required for foreign currency-denominated contracts valued above a specified threshold, together with a recommendation on the manner in which the foreign currency exposure is to be managed, which may include the use of foreign exchange contracts.

ii. Cash flow and fair value interest rate risk

Apart from a loan from the Waitaki Power Trust, the Company has no interest risk from long-term borrowing. The loan from the shareholder is an unsecured loan with interest charged at a commercial rate. Board approval is required for borrowings, together with a recommendation on the manner in which the interest rate risk is to be managed.

NOTES TO THE FINANCIAL STATEMENTS

Credit risk

Credit risk is managed by the Company under policy approved by the board. Credit risk arises from cash and cash equivalents and deposits with banks, as well as credit exposure to customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independent parties with a minimum Standard and Poor's rating of BBB for long-term investments and A-2 for short-term investment, or financial institutions that provide well-supported first ranking security, are acceptable. Investments with banks and financial institutions are limited to a term of no more than 24 months and no more than \$3 million or 25% of current investments, whichever is the greater, in any one institution. Credit risk associated with trade receivables is limited through electricity retailer invoicing for line and metering charges rather than individual consumer invoicing for line and metering charges. Credit risk is also limited in trade receivables by the requirement of a minimum of 50% deposit of the total cost of new connections before work is started. Credit risk for contracting activities are assessed on a per contract basis.

Liquidity risk

Cash flow forecasting is performed in the operating entities of the Company. The Company monitors its rolling forecast liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom at all times. Such financial forecasting takes into consideration the Company's debt financing plans and compliance with the Statement of Corporate Intent.

Surplus cash held by the operating entities over and above the balance required for working capital management is invested in interest-bearing call accounts and term deposits.

Note 15 analyses the Company's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period, at the statement of financial position date to the contractual maturity date. Derivative financial liabilities are included in the analyses if their contractual maturities are essential for an understanding of timing of the cash flows. The amounts disclosed in the table are contractual undiscounted cash flows.

15. ANALYSES OF FINANCIAL LIABILITIES

At 31 March 2019

	Less than 1 year	Between 1 and 2years	Between 2 and 5 years	Over 5 years
Loan	66,355	66,355	199,065	1,813,550
Trade and Other Payables	2,619,712	-	-	-

At 31 March 2020

	Less than 1 year	Between 1 and 2years	Between 2 and 5 years	Over 5 years
Loan	60,490	60,490	181,470	1,754,900
Trade and Other Payables	2,442,997	-	-	-

The loan is interest only, with no maturity date; however, the Waitaki Power Trust has given an undertaking to give a minimum of 12 months' notice of the requirement to make any repayment of the advance outstanding or part thereof. The current interest rate is 5.26% (2019 5.77%). The over 5-year amounts allow for payments up to 10 years.

OTHER

16. INCOME TAX

Income tax expense in relation to the profit or loss for the period comprises current tax and deferred tax.

Current tax is the amount of income tax payable on the taxable profit from the current year, plus any adjustments to income tax payable in respect of the prior year. Current tax is calculated using rates that have been enacted or substantially enacted by balance date.

Deferred tax is the amount of income tax payable or receivable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax is provided on temporary differences arising on investments in associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

\$ NZD	2020	2019
Tax Expenses For Period Made Up Of:		
Current Taxation Expense	766,474	406,601
Deferred Taxation Expense	783,015	806,691
Tax Expense	1,549,489	1,213,292
Profit Before Income Tax	5,758,196	3,994,291
Prima Facie Taxation @28 cents	1,612,294	1,118,402
Movement in Income Tax Due to -		
Non Deductible Expenses	24,299	32,333
Prior Period Adjustment	(87,104)	62,557
	(62,805)	94,890
Tax Expense	1,549,489	1,213,292
Deferred Tax Movements		
Capital Contributions	(53,709)	(94,053)
Depreciation	(692,044)	(197,331)
Prior Period Adjustment	-	(556,224)
Other	(37,262)	40,917
	783,015	(806,691)
Income Tax Expense	766,474	406,601

DEFERRED TAX LIABILITY

\$ NZD	Depreciation	Other	Total
Opening Balance as at 1 April 2018	12,296,700	1,569,887	13,866,587
Change in the Year	197,331	609,360	806,691
Closing Balance as at 31 March 2019	12,494,031	2,179,247	14,673,278
Change in the Year	694,044	90,971	783,015
Closing Balance as at 31 March 2020	13,186,075	2,270,218	15,456,293

CURRENT AND NON-CURRENT DEFERRED TAX LIABILITY

\$ NZD	Depreciation	Other	Total
2019			
Current Deferred Tax	-	-	-
Non-Current Deferred Tax	12,494,031	2,179,247	14,673,278
Total Deferred tax	12,494,031	2,179,247	14,673,278
2020			
Current Deferred Tax	-	-	-
Non-Current Deferred Tax	13,186,075	2,270,218	15,456,293
Total Deferred tax	13,186,075	2,270,218	15,456,293

NOTES TO THE FINANCIAL STATEMENTS

17. RELATED PARTY TRANSACTIONS

\$ NZD	2020	2019
Payments from:		
Waitaki Power Trust to Network Waitaki Ltd		
Loan Outstanding at Balance Date	1,150,000	1,150,000
Network Waitaki Ltd to Waitaki Power Trust		
Interest	63,423	66,355
Outstanding Balance at Balance Date	-	-
Network Waitaki Ltd to A.J. Wood Chartered Accountants Ltd		
A.J. Wood Chartered Accountants Ltd is related to Network Waitaki Ltd through its director, Tony Wood, who is a shareholder and director of A.J. Wood Chartered Accountants Ltd		
Directors Fees	34,366	33,951
Network Waitaki Ltd to Berry & Co		
Berry & Co is related to Network Waitaki Ltd through its director, Michael de Buyzer, who is partner of Berry & Co.		
Purchase of goods and services	6,115	7,038
Network Waitaki Ltd to Lone Wolf Enterprises Ltd		
Lone Wolf Enterprises Ltd is related to Network Waitaki Ltd through its director, Jonathan Kay, who is a shareholder and director of Lone Wolf Enterprises Ltd.		
Directors Fees	25,842	-
Network Waitaki Ltd to Original Performance Solutions Ltd		
Original Performance Solutions Ltd is related to Network Waitaki Ltd through its director, Chris Bailey, who is a shareholder and director of Original Performance Solutions Ltd.		
Directors Fees	34,367	33,951
Network Waitaki Ltd to Whitestone Contracting Ltd		
Whitestone Contracting Ltd is related to Network Waitaki Ltd through its Chairman, Michael de Buyzer, who is Chairman and a director of Whitestone Contracting Ltd.		
Purchase of goods and services	944,842	537,782
Network Waitaki Ltd to key management personnel		
Payments to key management personnel are made in accordance with employment agreements.		
Employee Costs	1,420,492	1,568,097

18. CAPITAL COMMITMENTS

\$ NZD	2020	2019
Network Assets	264,464	394,000
Non-Network Assets	254,597	151,000
Total	519,061	545,000

19. CONTINGENT LIABILITIES

The company has no contingent liabilities as at 31 March 2020 (2019 Nil).

STATEMENT OF SERVICE PERFORMANCE

Performance targets, as set out in the Statement of Corporate Intent (SCI) approved by Directors

FINANCIAL PERFORMANCE MEASURES

Statement of Comprehensive Income for year ended 31 March 2020

\$NZD	Actual \$	SCI \$	Variance \$
Statement of Comprehensive Income			
Revenue Excluding Capital Contributions	23,824,601	21,871,511	1,953,090
Capital Contributions	1,829,496	746,089	1,083,407
Total Revenue	25,654,097	22,617,600	3,036,497
Less Expenses Excluding Depreciation	(14,023,072)	(13,200,761)	(822,311)
Less Depreciation	(4,705,844)	(4,902,409)	196,565
Net Profit before Discount and Tax	6,925,181	4,514,430	2,410,751
Less Discount	(1,166,985)	(1,000,000)	(166,985)
Net Profit Before Taxation	5,758,196	3,514,430	2,243,766
Less Taxation	(1,549,489)	(984,040)	(565,449)
Net Profit After Discount and Taxation	4,208,707	2,530,390	1,678,317

* Revenue excluding capital contributions and expenses excluding depreciation have been restated to ensure consistent presentation with the annual financial statements.

Comment

Net Profit after Taxation was \$1.7m higher than plan. This was driven by higher than expected lines revenue (\$1.6m) and higher Capital Contributions (\$1.1m).

This has enabled a higher discount distribution (\$0.2m) and resulted in a higher tax charge (\$0.6m).

Balance Sheet as at 31 March 2020

\$NZD	Actual \$	SCI \$	Variance \$
Shareholders' Equity	96,784,093	95,375,273	1,408,820
Current Assets	13,420,257	4,998,416	8,421,841
Current Liabilities	3,771,955	2,936,197	835,758
Working Capital	9,648,302	2,062,219	7,586,083
Non-Current Assets	104,702,466	108,329,641	(3,627,175)
Non-Current Liabilities	17,566,675	15,016,587	2,550,088
Net Non-Current Assets	87,135,791	93,313,054	(6,177,263)
Total Net Assets	96,784,093	95,375,273	1,408,820

Comment

Working Capital is substantially higher than plan due to strong cash reserves due improved financial performance and lower than planned capital spending. Non-current liabilities were higher than plan as a consequence of adopting NZ IFRS 16: Leases (\$1.0m) and deferred tax adjustments.

STATEMENT OF SERVICE PERFORMANCE

Key Financial Reporting Measures

	Actual	SCI	Variance
NPBT to Shareholder Funds	5.95%	3.68%	2.27%
Net Assets per Share	\$6.91	\$6.81	\$0.10
NPBT Earnings per Share in Cents	41.13	25.10	16.03
Ratio of Shareholders' Funds to Total Assets	81.94%	84.16%	(2.22%)
Rate of Return After Tax on Shareholder Funds	4.35%	2.65%	1.70%

Comment

Stronger than planned financial performance has resulted in favourable earnings ratios. The first time adoption of NZ IFRS 16: Leases has increased liabilities which resulted in slightly higher than planned leverage ratios.

Non-Financial Reporting Measures

	Actual	SCI	Variance
Average Interruption Duration (SAIDI) – normalised Average number of minutes electricity supply was lost per customer, normalised by limiting the impact of a major event day	124.1	150 to 250	Below Band (favourable)
Average Interruption Frequency (SAIFI) – normalised Average frequency of interruptions to electricity supply per customer during the year, normalised by limiting the impact of a major event day	1.2	1.0 to 2.0	Inside Band

Comment

SAIDI performance was favourable to target due to a decrease in both planned and unplanned outages compared to previous years resulting in a total SAIDI decrease of 16% compared to the 18/19 financial year.

The number of unplanned (fault) outages decreased by 5%, with a 9% reduction in SAIDI impact, mainly due to fewer equipment failures and reductions in a number of other fault categories. Vegetation faults increased in the year due to adverse weather on two occasions.

Planned outage numbers decreased by 25% compared to the previous year as a result of the change in types of work being undertaken on the network and increased use of live work techniques or other methods of outage mitigation.

The reduction in outage numbers was reflected in a total SAIFI decrease of 39% compared to the 18/19 financial year, and a year end result within the SCI target band.



INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF NETWORK WAITAKI LIMITED'S FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 31 MARCH 2020

The Auditor-General is the auditor of Network Waitaki Limited (the company). The Auditor-General has appointed me, Nathan Wylie, using the staff and resources of PricewaterhouseCoopers, to carry out the audit of the financial statements and the performance information of the company on his behalf.

Opinion on the financial statements and the performance information

We have audited:

- the financial statements of the company on pages 30 to 48, that comprise the financial position as at 31 March 2020, the comprehensive income, changes in equity and cash flows for the year ended on that date and the notes to the financial statements that include significant accounting policies and other explanatory information; and
- the statement of service performance of the company on pages 49 to 50.

In our opinion:

- the financial statements of the company:
 - present fairly, in all material respects:
 - its financial position as at 31 March 2020; and
 - its financial performance and cash flows for the year then ended; and
 - comply with generally accepted accounting practice in New Zealand in accordance with New Zealand equivalents to International Financial Reporting Standards Reduced Disclosure Regime; and
- the performance information of the company presents fairly, in all material respects, the company's achievements measured against the performance targets adopted for the year ended 31 March 2020.

Our audit was completed on 25 May 2020. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.



Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

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

Responsibilities of the Board of Directors for the financial statements and the performance information

The Board of Directors is responsible on behalf of the company for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand.

The Board of Directors is also responsible on behalf of the company for preparing performance information that is fairly presented.

The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the Board of Directors is responsible on behalf of the company for assessing the company's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to liquidate the company or to cease operations, or there is no realistic alternative but to do so.

The Board of Directors' responsibilities arise from the Energy Companies Act 1992.

Responsibilities of the auditor for the audit of the financial statements and the performance information

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, 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 it is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of these financial statements and performance information.

For the budget information reported in the financial statements and performance information, our procedures were limited to checking that the information agreed to the company's statement of corporate intent.



We did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- We evaluate the appropriateness of the reported performance information within the company's framework for reporting its performance;
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 1 to 57 but does not include the financial statements and the performance information, and our auditor's report thereon.



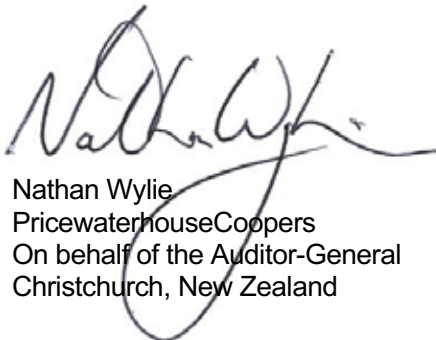
Our opinion on the financial statements and the performance information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and the performance information, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the performance information or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, 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.

Independence

We are independent of the company in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: *International Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board.

In addition to the audit we have carried out engagements in the areas of compliance with the Electricity Distribution (Information Disclosure) Determination 2012 and financial modelling consultancy services which are compatible with those independent requirements. Other than the audit and these engagements, we have no relationship with, or interests in, the company.



Nathan Wylie
PricewaterhouseCoopers
On behalf of the Auditor-General
Christchurch, New Zealand

STATUTORY INFORMATION

DIRECTORS' INTERESTS

The following Directors of Network Waitaki Limited have declared interests in identified entities as shareholder and/or director. The declaration serves as notice that the Director may benefit from any transactions between Network Waitaki Limited and the identified entities.

Chris Dennison (Chairman)

Chris has been a Director since June 2013, Chairman from July 2017 and declares the following interests:

Dennison Farms Limited	Director
Farmlands Co-operative	Director
Tracmap Aviation Ltd	Chairman
Tracmap Holdings Ltd	Chairman
Tracmap NZ Ltd	Chairman

Chris Bailey

Chris has been a Director since June 2017 and declares the following interests:

Albion Clothing Ltd	Chairman
Cactus Outdoor Ltd	Chairman and Shareholder
Chrysalis Housing Ltd	Director and Shareholder
Endo Nanoparticles Ltd	Director and Shareholder
i.t.online Ltd	Director and Shareholder
LemonTree Trust	Independent Trustee
Original Performance Solutions	Director and Shareholder
Queenstown Medical Centre Ltd	Director
Strava Limited	Director and Shareholder

Michael de Buyzer

Michael has been a Director since June 2019 and declares the following interests:

Banco Trustees Ltd	Director and Shareholder
BCO Trustees (2011) Ltd	Director and Shareholder
BCO Trustees (2012) Ltd	Director and Shareholder
BCO Trustees (2013) Ltd	Director and Shareholder
BCO Trustees (2014) Ltd	Director and Shareholder
BCO Trustees (2015) Ltd	Director and Shareholder
BCO Trustees (2016) Ltd	Shareholder
BCO Trustees (2017) Ltd	Director and Shareholder
BCO Trustees (2018)Ltd	Shareholder
BCO Trustees (2019) Ltd	Director and Shareholder
BCO Trustees (Mertha) Ltd	Director and Shareholder
BCO Trustees (Robertson) Ltd	Director and Shareholder
Berry & Co	Partner
Camp Street Properties Ltd	Director and Shareholder
Dunstan Sprayers Ltd	Director
Friendly Bay Ltd	Director
Mallinson Trustees Ltd	Director
McBride Street Queenstown Ltd	Director and Shareholder
McPhail Investments Ltd	Director
Observatory Village Charitable Trust	Trustee
Whitestone Contracting Ltd	Chairman
Whitestone Quarries and Landfill Ltd	Director

Jonathan Kay

Jonathan joined the board in June 2019 and declares the following interests:

Lone Wolf Enterprises Ltd	Director and Shareholder
Nextidea Ltd	Chairman
Smart Technology Working Group of the Electricity Networks Association	Chairman
Waipa Networks Ltd	Director

Tony Wood

Tony joined the board in July 2012 and declares the following interests:

A J Wood Chartered Accountants Ltd	Director and Shareholder
A J Wood Trustees Ltd (also Trustee to various Clients' Family Trusts)	Director and Shareholder
Mackismith Properties Ltd	Director and Shareholder
Wood Family Trust	Trustee

Mike Underhill

Mike has been a Director since June 2018 and declares the following interests:

Electra Ltd (and subsidiaries)	Director and Shareholder
Gas Industry Company Ltd	Facilitator to the gas industry
Horowhenua Wind Energy Ltd	Director
NZ electricity sector	Training facilitator

USE OF COMPANY INFORMATION

There were no notices from Directors of Network Waitaki Limited or a Director of a related body corporate requesting to use company information received in their capacity as Directors which would not otherwise have been available to them.

DIVIDENDS

No dividends were paid or declared during the 2020 year. (2019 Nil)

DISCOUNT

A discount (excluding GST) of \$1,166,985 has been paid to Customers (2018 \$1,478,837).

DONATIONS

The company made donations (excluding GST) totalling \$108,945 in the year (2018 \$116,745).

INDEMNIFICATION AND INSURANCE OF OFFICERS AND DIRECTORS

The Company continues to indemnify all Directors named in this report against any liability to any person other than Network Waitaki Limited or a related company for any act done or omission made in a Director's capacity as a Director of Network Waitaki Limited and all costs incurred in defending or settling any claim or proceedings related to such liability, unless the liability is criminal liability or liability for breach of Section 131 of the Companies Act 1993.

During the financial year, Network Waitaki Limited paid insurance premiums in respect of Directors' and Officers'

liability insurance. The policies do not specify the premium for individual Directors and executive officers.

The Directors' and Officers' liability insurance provides cover against all costs and expenses involved in defending legal actions and any resulting payments arising from a liability to persons (other than Network Waitaki Limited or a related body corporate) incurred in their position as Director or executive officer unless the conduct involves a wilful breach of duty or an improper use of inside information or position to gain advantage.

EVENTS SUBSEQUENT TO BALANCE DATE

The Directors are not aware of any matter of circumstance since the end of the financial year, not otherwise dealt with in this report that has significantly affected or may significantly affect the operation of Network Waitaki Limited, the results of those operations or the state of affairs of Network Waitaki Limited.

REMUNERATION OF DIRECTORS

\$ NZD	Total Directors' fees paid
Derek Atkinson	8,526
Chris Bailey	34,367
Michael de Buyzer	25,842
Chris Dennison	57,999
Jonathan Kay	25,842
David Ruddenklau	8,526
Mike Underhill	34,367
Tony Wood	34,366
Total	229,835

EMPLOYEE REMUNERATION

The Companies Act 1993 requires the number of current and former employees receiving remuneration greater than \$100,000 to be disclosed. Details of remuneration ranges for employees of Network Waitaki Limited are:

Remuneration Range	2020	2019
\$100,000 - \$109,999	6	7
\$110,000 - \$119,999	1	6
\$120,000 - \$129,999	2	2
\$130,000 - \$139,999	2	-
\$140,000 - \$149,999	-	1
\$150,000 - \$159,999	2	2
\$160,000 - \$169,999	-	1
\$300,000 - \$309,999	-	1
\$310,000 - \$319,999	1	-
\$380,000 - \$389,999	-	1

This annual report is dated 25 May 2020 and signed on behalf of the Board by:



Chris Dennison
Chairman of the Board



Tony Wood
Chairman of the Finance and Audit Committee

DIRECTORY

NETWORK WAITAKI LIMITED

DIRECTORS:

- Chris Dennison (Chairman)
- Derek Atkinson (to 24/6/19)
- Chris Bailey
- Michael de Buyzer (from 24/6/19)
- Jonathan Kay (from 24/6/19)
- David Ruddenklu (to 24/6/19)
- Mike Underhill
- Tony Wood

SOLICITORS:

- Berry & Co, Oamaru
- Webb Farry, Dunedin

CHIEF EXECUTIVE

Geoff Douch

REGISTERED OFFICE

10 Chelmer Street
PO Box 147
Oamaru 9444

Email: service@networkwaitaki.co.nz

Phone: (03) 433 0065

Fax: (03) 434 8845

Freephone: 0800 440 220

www.networkwaitaki.co.nz

WAITAKI POWER TRUST

TRUSTEES:

- John Clements (Chairman)
- Dr Helen Brookes
- Doreen Cleave
- Herbert Tonkin
- John Webster

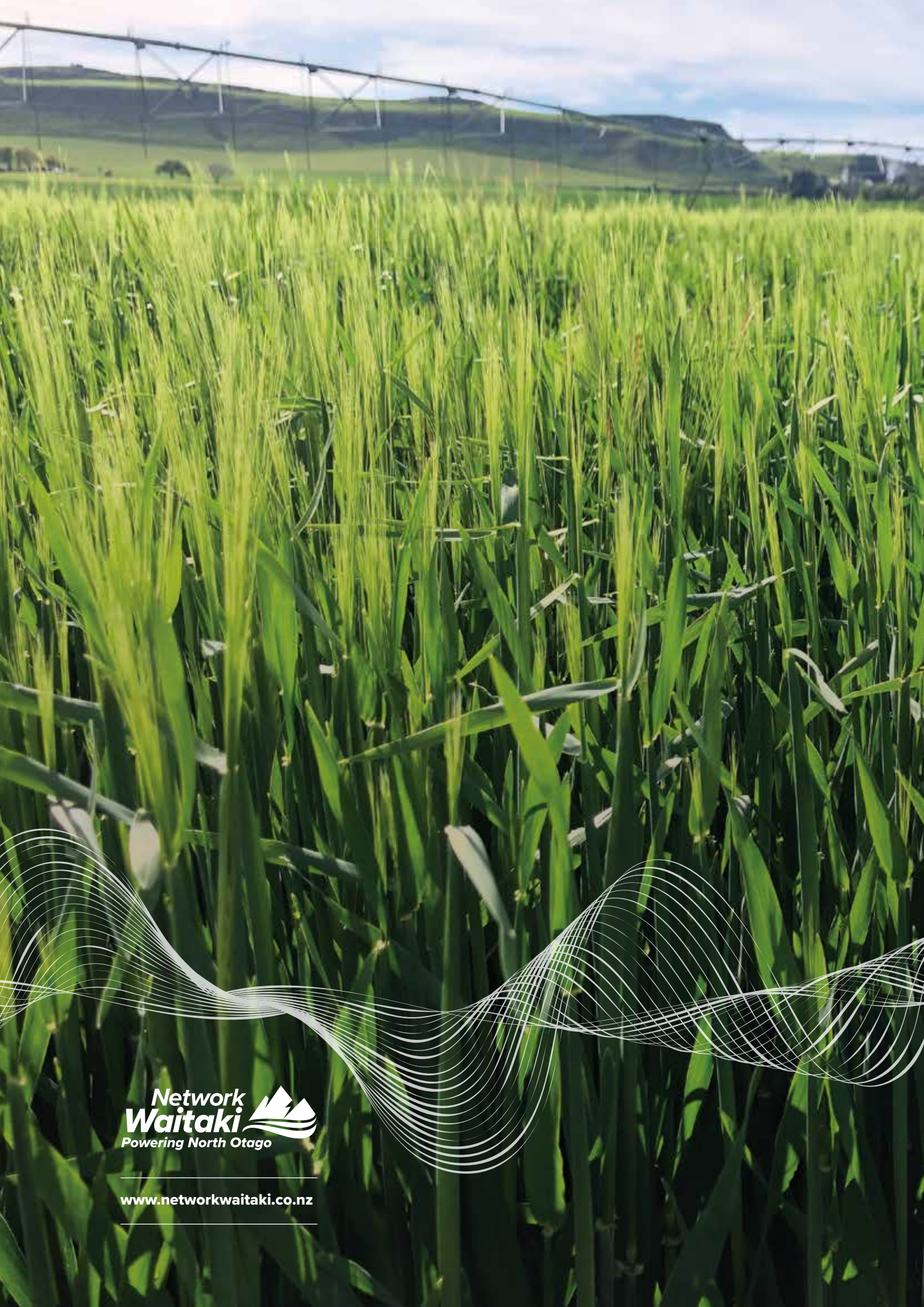
AUDITORS:

Nathan Wylie
PricewaterhouseCoopers
Christchurch

ON BEHALF OF The Auditor-General

PRINCIPAL BANKERS:

ANZ
The Octagon
Dunedin



**Network
Waitaki** 
Powering North Otago

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