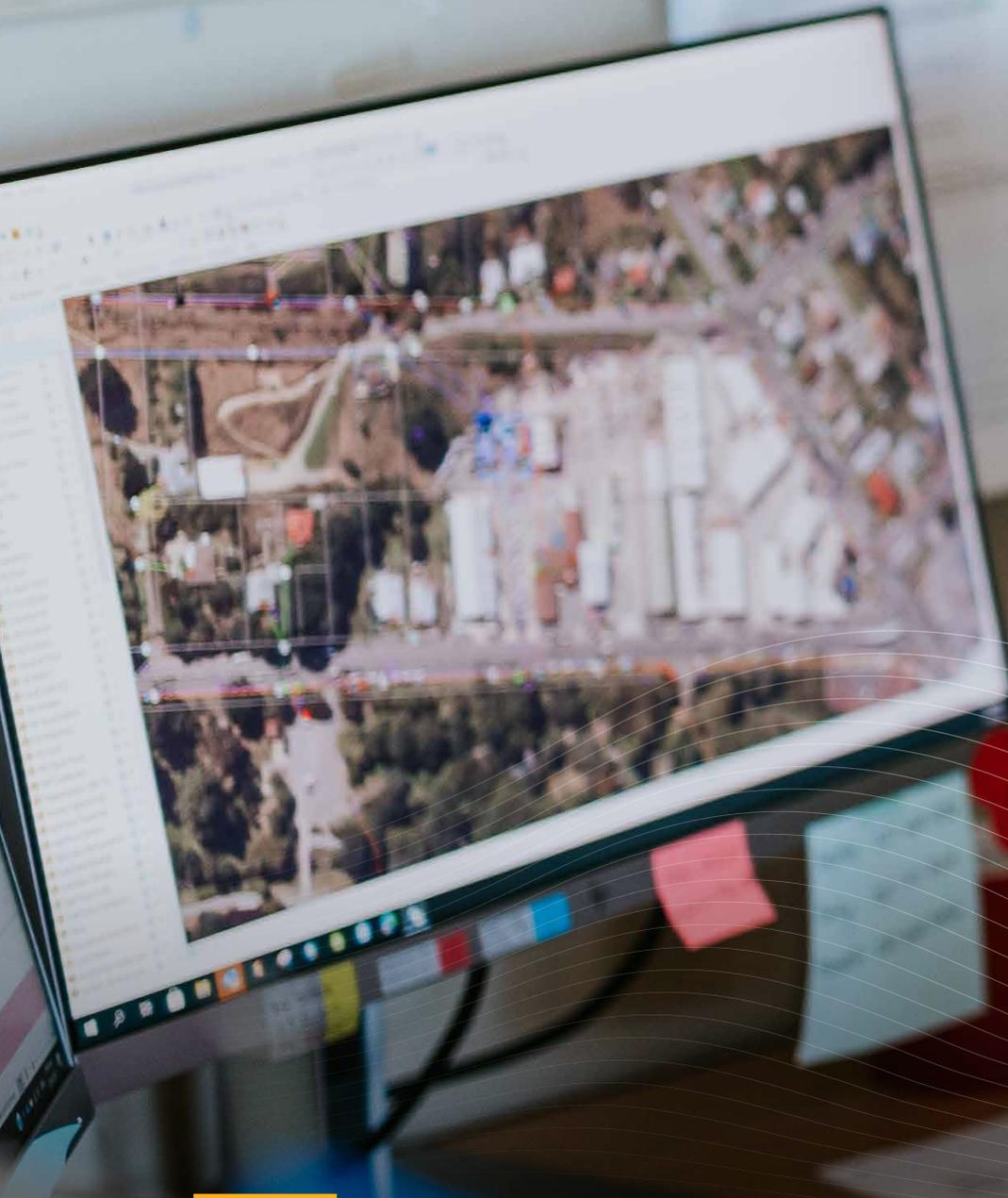




**Network
Waitaki** 

**DELIVERING MORE
FOR OUR COMMUNITY**

ANNUAL REPORT | **FY 2021**



The use of technology is essential in connecting with our customers and improving efficiencies right across the business.





BUSINESS PERFORMANCE HIGHLIGHTS

HEALTH & SAFETY



267 Field safety interactions

LTI	1
-----	----------

LTIFR*	1.39
--------	-------------

TRIFR*	2.78
--------	-------------

*per 200,000 hours worked

NETWORK PERFORMANCE



13,092 Connections

Maximum demand	68.3 MW
----------------	----------------

Energy volume	307.3 GWh
---------------	------------------

SAIDI	146.7 min.
-------	-------------------

SAIFI	1.18
-------	-------------

FINANCIAL



Revenue

\$29.1 MILLION

Net Profit

\$6.2M

Capital expenditure

\$10.9M

Total assets

\$127.0M

COMMUNITY

**\$1.48 MILLION
Discounts**

Donations

\$157,386

Organisations benefiting

43

Payments to local staff and suppliers

\$11.8M



CONTENTS

Business Performance Highlights	4
Chairman and Chief Executive Report	8
Annual Review	10
Board of Directors	30
Management Team	32
Governance Report	34
Company Trend Statement	36
Directors' Responsibility Statement	37

FINANCIAL STATEMENTS

Comprehensive Income	38
Changes in Equity	38
Financial Position	39
Cash Flows	40
Notes to the Financial Statements	41

Statement of Service Performance	57
Independent Auditor's Report	59
Statutory Information	63
Directory	66

CHAIRMAN & CHIEF EXECUTIVE REVIEW

It is with great pleasure we report on the successes and challenges Network Waitaki faced over the past year. Overall, the Board and Management are delighted with the performance of the business in what was a very unusual year.

The year started with the country in lockdown as a result of the CoViD-19 pandemic which has had a significant global impact. As an essential services provider, our priority was to ensure we kept the lights on and powered our community through these challenging times. We were quickly able to re-organise how we worked, with most staff able to relocate and work from home, while still maintaining a response roster for faults and emergencies. We put a hold on planned work to ensure customers were not impacted by interruptions to electricity supply while confined to their homes. Like the rest of the country, the business rose to the challenge ahead and got on with it. Remaining connected with our teams was a priority as our usual workplace interactions disappeared overnight. We were able to get back into regular working under Level 3, with many staff choosing to remain working from home until we entered Level 2. As a result, we have now introduced more flexible working options for staff which has been well received.

After the bumpy start to the year, the first highlight was launching our new strategy and the collaborative development of our company values with our team. We have since made good progress against the strategic priorities in our plan with a focus on excellence in the core business, improving customer experience and growing our contracting business.

Keeping our people safe and well remains our top priority, especially in the current environment with the effects of the pandemic still very present. We have made good progress against safety initiatives including critical risk management, employee wellness and increased field leadership interactions. Despite the effort put in across the business we did unfortunately have one lost time injury involving a team member early in the year. Fortunately, they made a good recovery and were able to return to work. Developing our talent and capability is another priority for us and we now have seven trainees in our contracting team and three graduate engineers in the network team. At the other end of the experience scale, we recognised two team members who reached a 50 year service milestone in 2020.

Coming out of Level 3 CoViD-19 restrictions we successfully completed a large 110kV line project for Top Energy in Kaikohe, an exciting project for our team to be involved in, and one which has fostered relationships between the two businesses despite the geographic separation. Contracting continued to grow by establishing a new electrical services team and also a vegetation management team to deliver core maintenance services in-house, replacing our outsourced arrangements. Another highlight for 2020 was the commencement of contracting to Aurora Energy, one of our neighbouring networks, which has brought benefits to both businesses. The outcome of this targeted and strategic growth has seen contracting revenues and profit reach record levels and the generation of revenue outside our own network area helps to make electricity more affordable for our local Waitaki customers.



Chris
Dennison



Geoff
Douch



While there are plenty of exciting contracting opportunities around the country to pursue, managing the safety and reliability of our own network remains one of our top priorities and during the year we delivered a network investment programme of \$8.0 million which is the highest in recent years. Projects were undertaken to improve capacity and security of supply at 33kV and 11kV level, as well as a large asset replacement and renewal programme. Overall outage numbers decreased compared to the previous year and network performance as measured by SAIDI and SAIFI were favourable to target.

We expanded our scope of network services through the purchase of a large private high voltage network from one of our irrigation customers, North Otago Irrigation Company, which includes the commitment to further develop the 110kV Black Point substation for increased security of supply through the addition of a second power transformer which will be installed in 2021. This investment again benefits both parties and is well aligned to our strategy.

While the year was progressing well, we unfortunately faced a second major challenge with strong winds on 4 October 2020, leading to major fires in the Livingstone and Ohau areas. In particular, the Ohau fire had a devastating impact on the local community burning through over 5,000ha of land and a significant number of homes and other property were damaged by the fire. The fire also caused significant damage to a large part of our network which impacted on supply for an extended period. Our crews worked tirelessly to respond and rebuild the electricity network in the area to allow people to return to their homes, and for others to begin the rebuild. Our hearts go out to those affected by such a devastating event.

Financially we outperformed budgets arising from a very dry summer and increased irrigation demand on the network. We also had strong demand for new connections and customer projects and our contracting business generated strong revenue and profits. Net profit after tax of \$6.2 million exceeded target of \$3.2 million, and the previous year result of \$4.2 million. Our success enabled us to pay an additional discount to electricity consumers of \$500,000, taking the total discount to \$1.5 million (excl GST). This is one way we share the benefits of local trust ownership, in addition to community and corporate sponsorships.

We continued to enjoy a strong and positive relationship with our shareholder, the Waitaki Power Trust, and during 2020 partnered with them to deliver the EcoBulb project which provided over 30,000 energy efficient lightbulbs into customer homes and businesses. There were no changes to the composition of our board which supported an increased focus on our strategic priorities.

Finally, our outstanding performance during the year was in large part due to the hard work and dedication of the team. During the year our team faced a number of new and interesting challenges, adapted to a new operating environment, and as we grew we welcomed new faces into the business, all of whom have made a great contribution. On behalf of the Board and Management we thank them for their efforts and contributing to the success of Network Waitaki.

We look forward to the year ahead, building upon the success of 2021 and powering our future.

Chris Dennison
Chairman

Geoff Douch
Chief Executive





**POWERING
— OUR —
FUTURE**

OUR VISION

Powering a vibrant Waitaki

OUR MISSION

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

OUR STRATEGY

Our strategy is to be an innovative and sustainable energy solutions provider for our customers, which in addition to excellence in our core network and contracting business operations, is focussed on leveraging our competencies in new markets. These new markets are both in providing additional services or solutions for existing Waitaki customers, and for customers outside our network area.

This reflects the environment we are operating in now where customer requirements and expectations are changing, the impacts of decarbonisation which will increase demand 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 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

A full-page photograph of a male worker in his late 30s or 40s, smiling broadly and giving a thumbs-up. He is wearing a white hard hat with 'CA' on it, dark sunglasses, and a high-visibility orange and navy blue work jacket with reflective silver stripes. He is standing in front of a white utility vehicle with its door open. The background shows a dirt field under a clear sky.

Health and safety is embedded in everything we do. Our team based risk assessment is critical to ensure we all go home safe every night.

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

The year commenced facing unprecedented challenges with the CoViD-19 pandemic and the development of health and safety plans to enable staff to work within the government restrictions and maintain a healthy and safe work environment.

Despite the pandemic, we saw significant improvements in our health and safety management systems and our public safety management system was verified by external independent auditors. Unfortunately, there was one Lost Time Injury to a team member, who subsequently recovered well.



267 Field safety interactions

LTIs	1
LTIFR*	1.39
TRIFR*	2.78

*per 200,000 hours worked

LTI: Lost Time Injury

LTIFR: Lost Time Injury Frequency Rate

TRIFR: Total Recordable Injury Frequency Rate

The critical risk programme was a key focus for the year. Risk assessments were completed for our eight critical risks, using the BowTie method and this was achieved through consultation and participation by staff members from across the business. The critical risks were a key consideration for the review of field risk assessments. Field risk assessments were reviewed to be more user friendly and assist with wider team participation with a focus on the critical risks of a task. The change was well received by staff and recognised as a positive innovation from several clients.

The audit programme consisted of several external audits which reviewed our health and safety systems and the effectiveness in practice. This consisted of systems audits and field audits to create a holistic view of health and safety within the business. They also served as a verification assessment of the critical risk controls identified from the critical risk assessments. The audits identified a significant improvement in the standard of the health and safety management systems and the status of critical risk controls. Whilst there were no major non-conformances or concerns, several opportunities for improvement were identified.

We received a successful reaccreditation of our NZS7901-2008 and 2014 Public Safety Management System in March 2021 following a review by Telarc.

The priorities for the WorkWell Wellbeing programme were developed by a small team of staff whose goal was to identify and develop initiatives from information collected from staff surveys and general feedback. The programme is currently being assessed for bronze accreditation from WorkWell. The focus for the year ahead is to implement the initiatives identified in the plan and work toward silver accreditation.

The priority for the year ahead is to further develop and embed the critical risk programme through verification and communication of the critical risk controls and creating a healthy workplace with new wellbeing initiatives.



OUR PEOPLE

Our people lead to the success of our business and every role in our business contributes to the overall experience our customers receive and underpin our safe and efficient operation. To support this, we have deployed several initiatives in the last 12 months with the key initiative being the introduction of a set of Values. These Values guide us in our behaviours and decision making and were developed and agreed on as a team.

WE CARE
—ABOUT OUR—
PEOPLE

WE ARE
—ONE—
TEAM

—WE ARE—
FUTURE
THINKING

WE LOVE
—OUR—
REGION



Our values have been put to the test during the CoViD-19 lock down and were very helpful in all of us maintaining focus on what was important and not only to the business but to ourselves as members of our community – wellness, family support and understanding all had a part to play in how well we responded to this difficult period.

Growing our team and their capability has also been a key objective, particular with respect to leadership. The majority of our managers, supervisors and team leaders across the business have now completed our leadership programme which was received with genuine enthusiasm and open minds. This has raised the bar with respect to the expectations of our leaders and given them the skills and confidence to put this into practice.

Growing our own talent has become not only a key people strategy but an essential one. Attracting and engaging experienced staff is a challenge, one which most businesses in smaller towns are needing to face. To assist in managing this we continue to employ graduates, offer scholarships and trainee roles. These all support the growth of talent in our business but also support our local community and customers. Our presence and the opportunities we can provide our people is growing year by year and as such we have placed focus on how we present to the employment market and what we offer our people.

By facilitating a staff survey annually, we can target the areas we need to work on and be mindful of. Our second survey was completed in February 2021 where we had a 100% participation rate and had an uplift in our overall satisfaction score from 64% to 70%.

Having both the capability and capacity to take on new projects and to deliver these effectively remains our core strategy, along with the retention of those people who enable us to do this. Our staff turnover has decreased from 11.9% to 3.8% in the year which is a pleasing result.

UP TO
70%
FROM 64%



STAFF
SATISFACTION

DOWN TO
3.8%
FROM 11.9%



STAFF
TURNOVER

Network
Waitaki
Powering North



POW
TOG



ONE
TEAM



POWERFUL
GETHER





POWERING OUR COMMUNITY

“

The Kurow rugby club is incredibly grateful for the support Network Waitaki has provided us; without their support we would have struggled to achieve our goal.

The new lights are a great asset to our club and community.”

Mike Patterson, President, Kurow Rugby Club

Network Waitaki is proud to be 100% locally owned by the Waitaki Power Trust and together we are dedicated to sharing the benefits of trust ownership with our community.

One of the five strategic priorities established in the 10 year strategic plan was to provide the best value for our customers and community. We have established a dedicated customer and community relations function to achieve our objective to connect and engage with our customers and the wider community. We created the role of Customer and Community Relations Manager during the year, with Michelle MacLean being appointed in November 2020. This role is focused on supporting our customers and increasing communication and engagement within the community to assist in identifying how Network Waitaki can work most effectively in areas that make a positive difference within the community we serve.



**Customer and Community Relations Manager,
Michelle MacLean**

We are also committed to gaining a better understanding of what is important to our customers and their perceptions of the organisation including all aspects of the customer experience, from quality of service, to delivery, price and the quality of interaction with Network Waitaki. We are using technology to gather feedback that will assist us to better understand our customers and community, and to focus on those matters that are valued most by our customers. It also provides us with an opportunity to create a strategy that can be benchmarked against industry trends and clear priorities that are targeted to enhance our customer and community's experience.

During the year, Network Waitaki proudly signed two major corporate sponsorships that provide a significant and positive impact to the wider community. A partnership between Network Waitaki and The Otago Rescue Helicopter Trust through a three year contract for

Silver Sponsorship of the Trust was confirmed in November 2020 and, in partnership with the Waitaki District Council, a five year agreement to sponsor District Christmas trees in Kurow and Oamaru will bring some Christmas cheer to the region which, in future years, will be used to help convey the message around tree safety and managing vegetation near powerlines.

It was great to be involved in a number of regional community initiatives, despite the recent times of uncertainty and restrictions. We helped power our community in Kurow with their project to install lighting at the local rugby grounds which got the season off to a great start. The North Otago A&P show, held in February, focused on the importance of being safe around electricity and provided us the opportunity to connect and engage with our customers and community. Our team of volunteers were on hand to chat with our customers, sharing information about what we do and answering their safety questions – with key topics being around tree trimming and safety disconnections. Of course, the ever popular free bucket rides drew large numbers of kids (big and small) with the majority of willing participants being the younger generation and those keen in a career as a line mechanic.

The highlight of the year in terms of community engagement and support was the hugely successful EcoBulb promotion held in conjunction with the Waitaki Power Trust. This project distributed over 30,000 energy efficient LED lightbulbs to homes and businesses across the district, which will lead to long term energy savings, as well as raising the profile and understanding of the role of Network Waitaki and the Waitaki Power Trust

One of the most substantial ways in which we share the benefit of Trust ownership is through the allocation of our discount payment of over \$1.7 million (incl GST) to connected customers (electricity consumers) on our network that is paid as a credit on their electricity bill in March or April.

We are also committed to supporting community projects and initiatives that contribute to the wellbeing, economic growth and development of our community in the areas of health, sport and recreation, arts, community, education and science through our annual sponsorship programme, sharing grants totalling over \$130,000 with 43 organisations in 2020.



North Otago A&P Show



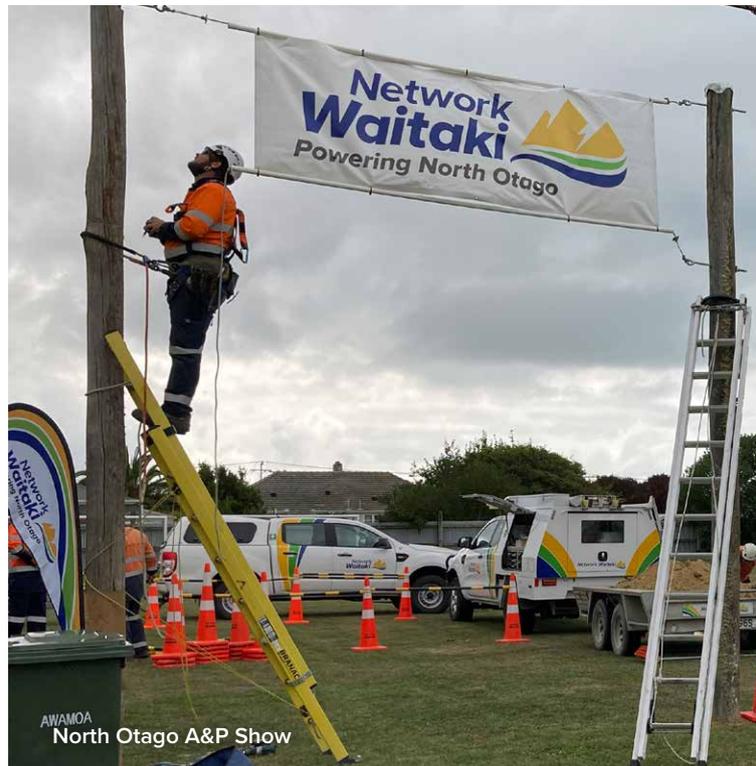
Maheno School



Oamaru Christmas Tree



North Otago A&P Show



AWAMOIA
North Otago A&P Show



Otago Rescue Helicopter Trust



North Otago Rugby



EcoBulb Promotion

POWERING -OUR- COMMUNITY



Maheno School



Kurow Christmas Tree



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



NETWORK PERFORMANCE

Energy volumes delivered for the year at 307.3 GWh were 9.3% up from the 281.2 GWh in the previous year and contributed to the favourable revenue position.

The network continued to perform well during the year with strong results in all measures, even with the extreme events associated with the Ohau and Livingstone Fires.

Reliability was at targeted levels with a SAIDI result of 146.7 minutes (up from 124.1 minutes) and a SAIFI result of 1.18 (down from 1.21). Overall, planned outage numbers increased by 20% as a result of proactive asset replacement, new connections and large construction builds.

The number of unplanned (fault) outages decreased by 23%, with a 18% increase in SAIDI impact. A major contributor were the Ohau and Livingstone fire outages.

Despite disruption caused by the CoViD lockdown at the beginning of the year, good progress was made on both the network maintenance and capital investment programmes with both being delivered close to budget levels.

Our field services resources performed well when faced with the challenges of wind storms and subsequent fire damage at Ohau and Livingstone, with both events contributing heavily to the faults expenditure for the year.

Our vegetation and electrical services maintenance teams were brought in-house under contracting, strengthening our ability to deliver ongoing work and supporting continuing improvement of our asset inspection practices.

Key capital works items through the year included construction of the first half of a new sub-transmission line between Maheno and Five Forks to support Maheno and Hampden zone substations (to be completed in 2021), ongoing condition based replacement of poles and conductor on the distribution network, and several projects that are part of an ongoing programme aimed at improving the resilience of the network to a disaster such as a backup control room and seismic strengthening of our zone substations.



SAIDI Result – average outage duration



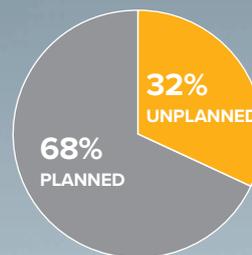
Maximum demand on the network



SAIFI Result – average outage frequency



2021 SAIDI minutes





ENERGY TECHNOLOGY

ELECTRIC VEHICLE CHARGING

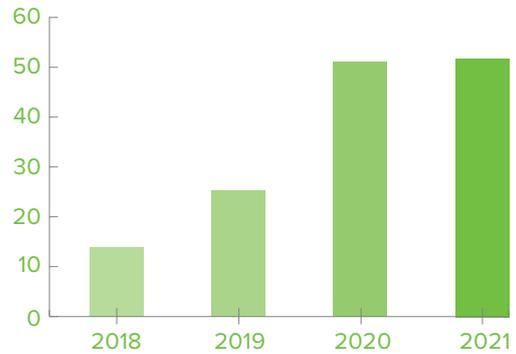
We own and operate a network of electric vehicle fast charging stations across our network area. At present we have four chargers located in Oamaru, Hampden, Kurow and Omarama.

For the past four years we have provided this service at no cost to encourage the uptake of electric vehicles and to support New Zealand’s aim to reduce carbon emissions.

However, now that usage of our fast chargers has increased significantly, we have joined with ChargeNet, a nationwide operator of fast chargers and have commenced billing for the use of these on their app platform. This will allow us to further invest in and develop our fast charger network.

A highlight of the year was that we were successful in our application to the EECA Low Emissions Vehicle fund to fund 50% of the costs to install a fifth fast charger in the Oamaru harbour precinct. This project is scheduled for completion in 2021.

EV Charging (MWh delivered)



FIBRE NETWORK

Our Fibre network performed well throughout the year and delivered revenues of \$414,109. This business unit remained profitable and profits were in line with expectation.

METERING

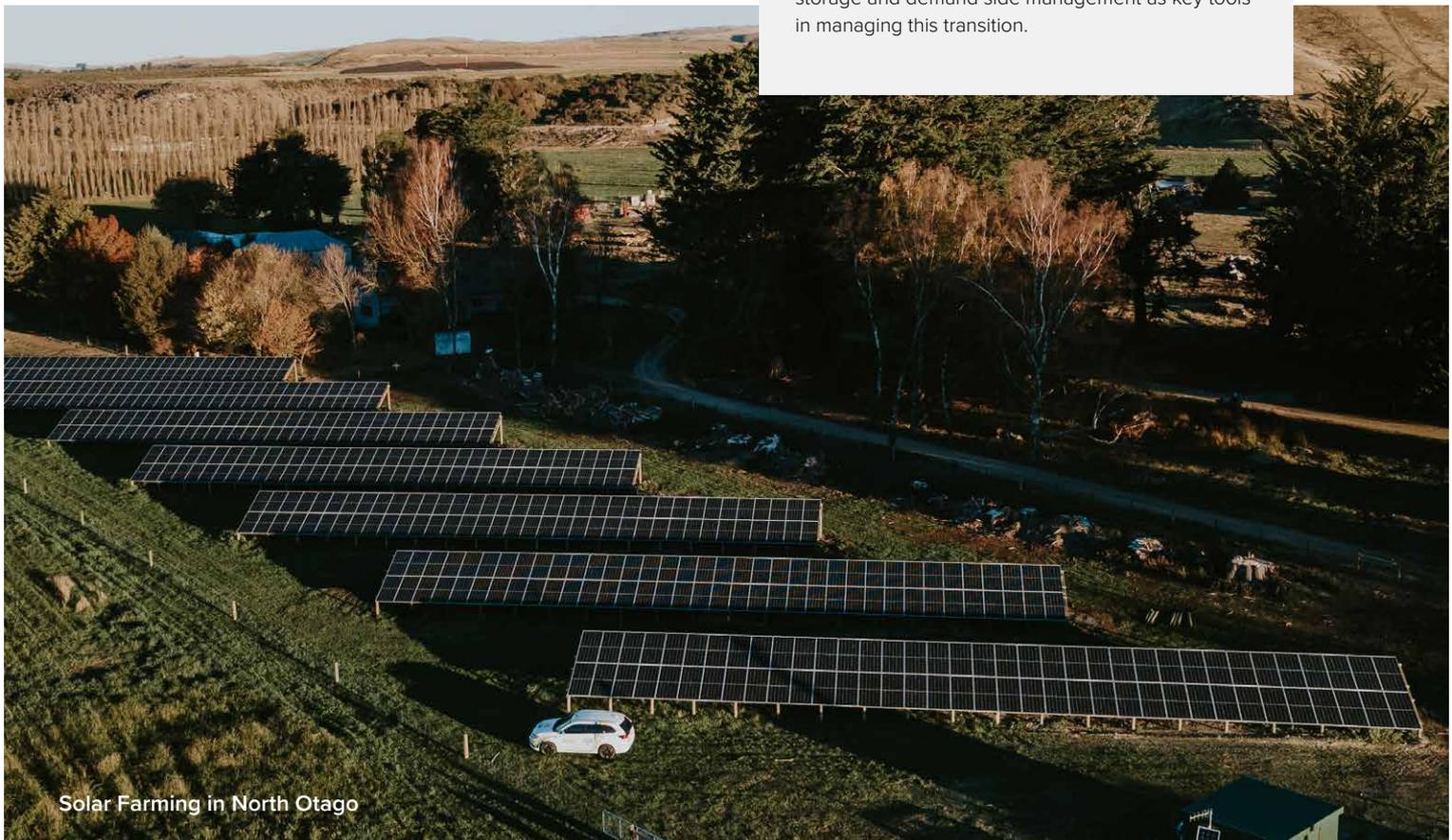
We own and operate a fleet of electricity revenue meters and customer side load control devices which are leased to energy retailers trading on our network.

During the course of the year we achieved outstanding results in our periodic audit of our metering business which resulted in a longer than standard re-audit period of two years. Metering delivered revenues of \$554,106 for the year with profit ahead of expectation.

FOCUS AREAS FOR 2021-22

Energy Technology is an area moving rapidly, and there are lots of exciting opportunities for us to improve customer service and the safe and efficient operation of our network with new solutions.

The Climate Change Commission draft report recommendations present both opportunities and challenges to us as the country looks to decarbonisation of transport and industry to help achieve a net zero carbon position. We expect to see the demand for electricity grow at rates significantly faster than in the past which will likely result in capacity constraints into our region, or at more localised levels in the network. We are proactively working with our customers to understand their energy needs and are making plans for the significant investment required to meet this growth in demand. We see energy technology solutions including distributed generation, energy storage and demand side management as key tools in managing this transition.



Solar Farming in North Otago



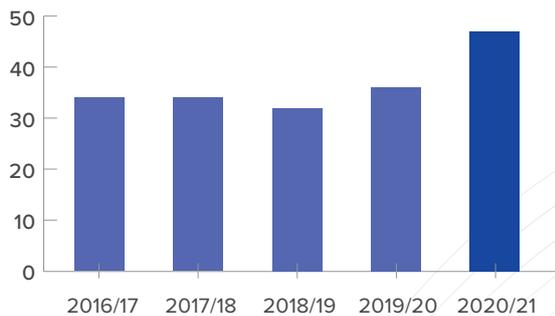
CONTRACTING PERFORMANCE

At the commencement of the financial year, we strengthened our capability in the contracting management team through the appointment of a new Field Services Manager leading our field crews and navigated the challenges of the CoViD-19 lockdown. This presented significant operational challenges as an essential service provider and negatively impacted productivity in these early stages. However, through the dedication of the team and a dynamic approach, we successfully restarted our significant works programme and ended the year well, completing the network works programme and well ahead of target in respect of productivity. The most significant project for the network was the completion of the first stage of the Five Forks to Maheno subtransmission line build.

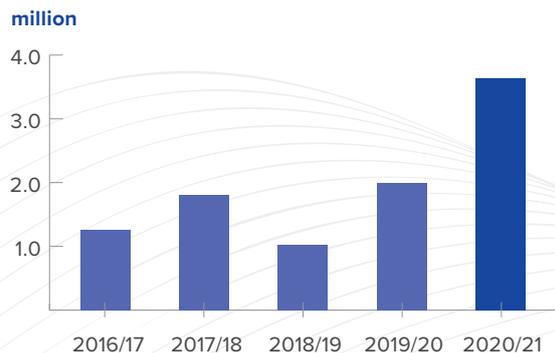
Aligned with our strategic priorities, expansion was our focus during the year, with the establishment of two new teams to undertake vegetation management and electrical services, along with internally promoting a manager for these new functions. Establishing these teams has enabled Network Waitaki to bring some core activities back in house, adding efficiency and control over these critical activities. These new teams have settled in well and have increased the range of services Contracting can offer to its customers. Contracting team numbers, as a consequence, grew from 36 to 47 during the year.

2021 has been a watershed year in respect of external works. Contracting once again nearly doubled external works revenue following the successful completion of projects across the country, including a unique project in Northland requiring our specialist skills. In addition to completing these projects, we have established strong relationships with new external customers, in particular achieving Approved Contractor status with our neighbour Aurora Energy and expect to continue to expand our external works programme and service offering. To meet this increased activity, we are continuing to expand our field services crew numbers.

Contracting Team Members



Contracting External Revenue



As always, any success is based on people in the team, their commitment and enthusiasm to excel with exceptional customer service for internal and external customers which sets the foundation for the success and we look forward to future opportunities as we enhance our internal performance and external relationships with our valued customers.

Our success is based on people in the team, their commitment and enthusiasm to excel with exceptional customer service for internal and external customers.



DESIGNED FOR 2 PERSONS
S.W.L. 50KG M.P.H. 14.5M

WORKING VOLTAGE 46KV

**Network
Waitaki** 

Insulated
Aerial
Work
Platform
DHT-145AS



FINANCIAL PERFORMANCE

Our financial performance during the year was a record result that was significantly ahead of expectation despite the national CoViD-19 lockdown at the start of the year. Major drivers of the record result have included increased lines revenue due to high irrigation demand with a dry summer and an expansion of external contracting works.

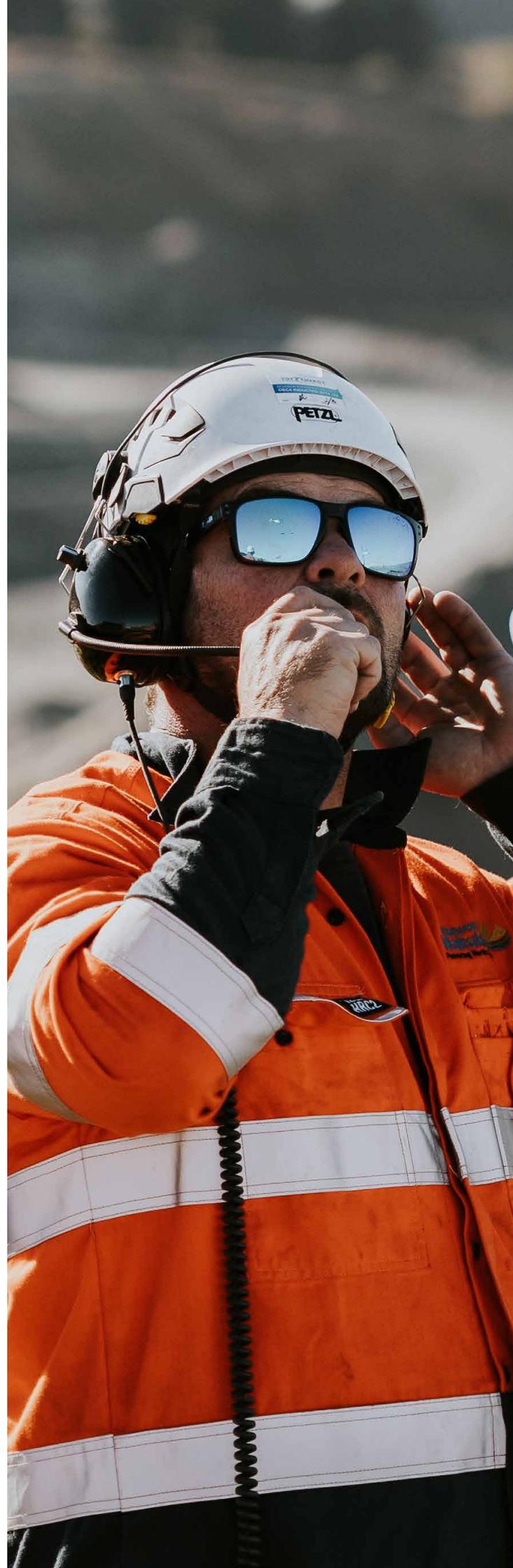
Overall revenue was favourable to budget at \$29.1 million and \$3.5 million ahead of last year. This revenue growth has been driven by higher energy volumes on the network (\$1.3 million) and significant increases in contracting revenue (\$1.6 million) which was more than 82% up on 2020. Revenue from new connections was slightly up at \$2.1 million.

The volatility introduced through variable lines charges, particularly in respect of varying irrigation demand, will reduce moving forward as Network Waitaki transitions its pricing structure to become predominantly fixed as opposed to the predominantly variable basis in place today.

Continued expansion of our external contracting revenues, however, remains a priority with further capital investment planned in 2021-22 to increase capacity.

The resulting NPAT for 2021 was \$6.2m, well ahead of 2020 results of \$4.2 million, and our 2020 budget of \$3.2 million.

The strong financial performance has generated operating cashflows of \$12.5 million, up from \$9.1 million in 2020 and has enabled our capital investment programme into plant, equipment and network assets totalling \$10.9 million to be completed and still increase cash reserves to \$9.5 million at year end. These cash reserves leaves us well placed as we embark on our 2021-2022 capital investment programme and continued expansion of our Contracting capability.







BOARD OF DIRECTORS

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.

Michael de Buyzer
LLB Notary Public
Director

Michael was appointed a Director of Network Waitaki Limited in July 2019. He has been a partner with Berry & Co, Lawyers, Oamaru (who have offices in Queenstown and Invercargill) 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 which have developed and operate North Otago's largest Aged Care Facility caring for over 100 residents. 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.

Chris Bailey
MSc, B PhEd (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, Queenstown Medical Centre and Quigley Contracting. 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.



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 programme.

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

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 and the independent Chair of the Electricity Networks Association's Smart Technology Working Group. Prior to this 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. Mike has had extensive governance and management experience in the energy sector. He is currently a director of Electra and Chairs its Audit & Risk Committee. Mike is also a director of Wellington Water and The Lines Company. 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.

He has had national involvement in the deregulation and utilisation of Electricity, he was a member of the Electricity Industry Task Force and a director of the Transpower Establishment Board. Mike spent some years in Samoa with VSA and became the Chief Engineer of the EPC. Mike is passionate about energy efficiency and renewables and the potential they have for mitigating climate change.

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 Directors and 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 the 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.

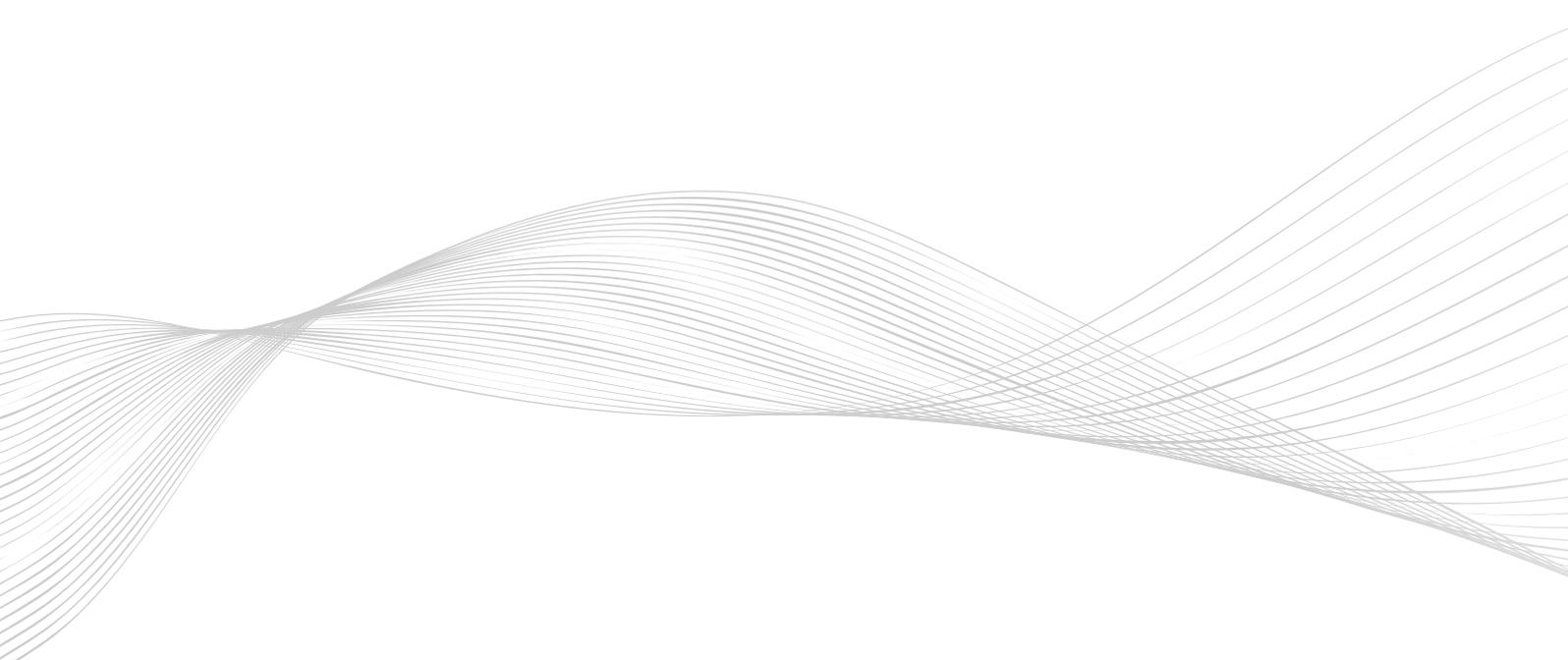


Craig Conlan
Network Development Manager

Craig joined Network Waitaki in 2009 and is responsible for managing the Network Development Team.

This team works closely with our customers to understand their energy and security needs and plans the development our network to meet these. The team is also responsible for evaluating new and emerging technologies and any impacts and new opportunities that may arise from these. Craig also manages our revenue metering services, fibre services, electric vehicle charger and generation business units.

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.





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.



Michelle MacLean
Customer and Community Relations Manager

Michelle was appointed as Customer and Community Relations Manager in November 2020. This newly created role focuses on proactively improving Network Waitaki's connection and engagement with our customers and our community on all levels as well as promoting customer care throughout Network Waitaki.

Michelle brings a depth of customer experience from senior advisory positions held across a variety of industries. Michelle's expertise lies in developing and maintaining effective working relationships with all our customers and understanding their needs to enable Network Waitaki to deliver a higher standard of service.



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.



Tod Trotman
Asset Manager

Tod has been with Network Waitaki since 2014 in asset management roles.

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

Tod has 18 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.



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.

He is an accredited professional member with NZISM and a member of Risk NZ.

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 32-33 of this annual report and on our website (<https://www.networkwaitaki.co.nz/company/about-nwl/network-waitaki-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 30-31 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

Special Health and Safety Committee

During the year, the Board continued to have a dedicated special health and safety committee, comprising all Directors, who met immediately prior to every Board meeting. The purpose of this committee was to oversee operational and strategic health and safety matters. Since the establishment of the Committee in 2019, the company has seen significant improvements in Health and Safety processes, performance and culture which culminated in a favourable external audit in February 2021. As a consequence, the Board determined that this no longer requires the dedicated attention of a special committee outside regular Board meetings and the committee was disbanded. From April 2021, Health and Safety is covered in the main Board meeting as a key focus area.

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 2020/21 is \$70,900 (2019/20 was \$71,900).

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 license 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 supplemented this framework by introducing and rolling out a conflict of interest policy.

TREND STATEMENT

FINANCIAL PERFORMANCE

\$000's	2021	2020	2019	2018	2017	2016
Operating Revenue (including interest)	29,237	25,875	23,150	23,889	22,782	23,796
Profit before Tax	8,430	5,758	3,994	5,158	4,644	7,260
Taxation	(2,181)	(1,549)	(1,213)	(1,425)	(972)	(2,036)
Net Surplus	6,249	4,209	2,781	3,733	3,672	5,224
Customer Discounts	1,482	1,167	1,479	1,580	1,741	1,768

FINANCIAL POSITION

\$000's	2021	2020	2019	2018	2017	2016
Current Assets	14,947	13,421	11,481	11,993	11,937	14,591
Non-Current Assets	112,102	104,702	100,409	95,828	91,376	85,551
Total Assets	127,049	118,123	111,890	107,821	103,313	100,142
Liabilities	24,015	21,339	19,315	18,027	17,152	17,653
Net Assets	103,034	96,784	92,575	89,794	86,161	82,489
Share Capital	14,571	14,571	14,571	14,571	14,571	14,571
Retained Earnings	88,463	82,213	78,004	75,223	71,590	67,918
Equity	103,034	96,784	92,575	89,794	86,161	82,489

FINANCIAL RATIOS

	2021	2020	2019	2018	2017	2016
NPBT to Shareholders Funds	8.2%	5.9%	4.3%	5.7%	5.4%	8.8%
NPAT to Shareholders Funds	6.1%	4.3%	3.0%	4.2%	4.3%	6.3%
Ratio of Shareholders' Funds to Total Assets	81.1%	81.9%	82.7%	83.3%	83.4%	82.4%
NPBT Earnings Per Share in Cents	60.22	41.13	28.53	36.84	33.17	51.86
Net Assets Per Share	\$7.36	\$6.91	\$6.61	\$6.41	\$6.15	\$5.89

NETWORK PERFORMANCE

	2021	2020	2019	2018	2017	2016
SAIDI (normalised)	146.70	124.11	148.29	134.70	124.16	135.74
SAIFI (normalised)	1.18	1.21	1.68	1.69	1.06	0.76

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 2021 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.

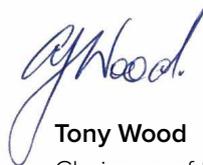
The Directors have pleasure in presenting the Financial Statements of Network Waitaki Limited for the year ended 31 March 2021.

The Board of Directors of Network Waitaki Limited authorises these Financial Statements for issue on 31 May 2021.

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 2021

\$NZD	Notes	2021 \$	2020 \$
Operating Revenue	1	29,119,630	25,654,097
Less Customer Discount		(1,481,696)	(1,166,985)
Operating Revenue after Customer Discount		27,637,934	24,487,112
Less Operating Expenses	2	(6,372,356)	(6,243,405)
Transmission Costs		(4,082,500)	(4,524,724)
Employee Costs		(3,759,949)	(3,347,079)
Depreciation, Amortisation and Impairment	3	(5,014,548)	(4,705,844)
Operating Profit		8,408,581	5,666,060
Finance Income		117,224	221,286
Finance Costs		(95,547)	(129,150)
Finance Income Net		21,677	92,136
Profit Before Tax		8,430,258	5,758,196
Taxation	17	(2,180,705)	(1,549,489)
Net Profit for the Year		6,249,553	4,208,707
Total Comprehensive Income		6,249,553	4,208,707

CHANGES IN EQUITY

for the year ended 31 March 2021

\$NZD	Share Capital \$	Retained Earnings \$	Total Equity \$
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
Balance at 1 April 2020	14,571,119	82,212,974	96,784,093
Profit for the year, being total comprehensive income	-	6,249,553	6,249,553
Dividend Paid	-	-	-
Balance at 31 March 2021	14,571,119	88,462,527	103,033,646

FINANCIAL STATEMENTS

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

FINANCIAL POSITION

as at 31 March 2021

\$NZD	Notes	2021	2020
Assets			
Current Assets			
Cash and Cash Equivalents	12	9,536,805	163,705
Short Term Deposits		-	7,950,000
Trade and Other Receivables	5	3,209,786	3,359,503
Inventories	6	2,008,970	1,934,886
Work in Progress		190,409	12,163
Total Current Assets		14,945,970	13,420,257
Non-Current Assets			
Property, Plant and Equipment	9	110,759,673	103,267,400
Right-of-use Assets	10	890,230	1,115,394
Intangible Assets	11	452,425	319,672
Total Non-Current Assets		112,102,328	104,702,466
Total Assets		127,048,298	118,122,723
Liabilities			
Current Liabilities			
Trade and Other Payables	7	3,995,423	2,442,997
Employee Entitlements	8	688,144	575,328
Lease Liabilities	10	191,960	183,267
Taxation Payable		1,406,507	570,363
Total Current Liabilities		6,282,034	3,771,955
Non-Current Liabilities			
Loan from Waitaki Power Trust	13	1,150,000	1,150,000
Lease Liabilities	10	741,113	960,382
Deferred Tax	17	15,841,505	15,456,293
Total Non-Current Liabilities		17,732,618	17,566,675
Total Liabilities		24,014,652	21,338,630
Equity			
Share Capital	14	14,571,119	14,571,119
Retained Earnings	15	88,462,527	82,212,974
Total Shareholders' Equity		103,033,646	96,784,093
Total Liabilities and Shareholders' Equity		127,048,298	118,122,723

FINANCIAL STATEMENTS

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

CASH FLOWS

for the year ended 31 March 2021

\$NZD	Notes	2021	2020
Cash Flows from Operating Activities			
<i>Cash was Provided from:</i>			
Receipts from Customers		27,787,651	24,065,864
Interest Received		117,224	221,286
		27,904,875	24,287,150
<i>Cash was Disbursed to:</i>			
Payments to Suppliers and Employees		(14,235,801)	(14,856,522)
Income Tax Paid		(959,350)	(333,080)
Interest Paid		(95,547)	(129,150)
Net GST Paid		(126,304)	171,382
		(15,417,002)	(15,147,370)
Net Cash from Operating Activities	4	12,487,873	9,139,780
Cash Flows from Investing Activities			
<i>Cash was Provided from:</i>			
Transfer from Term Deposits		7,950,000	-
		7,950,000	-
<i>Cash was Applied to:</i>			
Transfer to Term Deposits		-	(2,050,000)
Purchase of Property, Plant and Equipment and Intangible Assets		(10,881,234)	(7,682,139)
		(10,881,234)	(9,732,139)
Net Cash from Investing Activities		(2,931,234)	(9,732,139)
Cash Flows from Financing Activities			
<i>Cash was Applied to:</i>			
Principal Elements of Lease Payments		(183,539)	(173,733)
Net Cash from Financing Activities		(183,539)	(173,733)
Net Increase/(Decrease) in Cash Held		9,373,100	(766,092)
Cash and Cash Equivalents at Beginning of the Year		163,705	929,797
Cash and Cash Equivalents at End of the Year		9,536,805	163,705

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 31 May 2021. 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.

Certain comparative figures have been reclassified during the year for consistency with the current year presentation. These classifications had no effect on the reported results of operations.

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 Judgements

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.

NOTES TO THE FINANCIAL STATEMENTS

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 determined by the Commerce Commission in the Electricity Distribution Services Input Methodologies. These rates are considered a reasonable estimate of useful lives. Depreciation rates applied are outlined in Note 9.
- Lease Liabilities. Key accounting estimates have been applied in respect of the useful life, recoverable amount and incremental borrowing rates applied to the valuation of lease liabilities. These are outlined in Note 10.
- Long service leave entitlements are recognised on a proportional basis as probability of entitlement increases. This is outlined in Note 8.

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

NEW AND AMENDED STANDARDS ADOPTED BY THE COMPANY

No new or amended standards have been adopted by the company during the financial year.

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.

Individually assessed consumers are charged based on agreed prices, demand capacity 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 point in time 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	2021	2020
<i>The company derives revenue in the following major classifications:</i>		
Revenue Recognised Over Time		
Network Lines Revenue	21,407,778	20,147,611
Private Network Revenue	44,434	-
	21,452,212	20,147,611
Revenue Recognised at a Point In Time		
Capital Contributions	2,075,307	1,829,496
Administration levy	-	132,998
Contracting	3,639,890	1,999,278
Fault Recoveries	358,165	147,774
	6,073,362	4,109,546
Other Revenue		
Metering	554,106	541,413
Bad Debts Recovered	2,500	-
Fibre Rent Received	414,109	409,035
Property and Other Rent Received	20,674	28,008
Loss Rental Rebate	530,804	367,038
Other Income	71,863	51,446
	1,594,056	1,396,940
	29,119,630	25,654,097

Note:

- i. As at 31 March 2021, the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) is \$414,505 (2020 \$385,917), of which 100% will be recognised as revenue during the next reporting period.
- ii. \$385,917 of revenue recognised in the reporting period was included in the contract liability balance at the beginning of the period (2020 \$405,446).

2. OPERATING EXPENSES

\$ NZD	2021	2020
<i>Operating Expenses Comprise:</i>		
Operating Costs	5,836,521	5,719,237
Directors' Fees	230,426	229,835
Donations	157,386	108,945
Audit Fees (Financial Statements) – PWC	70,900	71,900
Audit Fees (Financial Statements) – PWC prior year	-	7,500
Audit Disbursements (Financial Statements) – PWC	6,974	5,295
Taxation Services – Other firms	9,150	9,544
Regulatory Audit Including Disbursements – PWC	56,161	47,063
Other services – PWC	-	24,248
Other Regulatory Audits – Other firms	4,838	18,911
Bad Debts Written Off	-	927
	6,372,356	6,243,405

3. DEPRECIATION, AMORTISATION AND IMPAIRMENT

\$ NZD	2021	2020
<i>Depreciation of PPE comprises:</i>		
Buildings	88,417	83,189
Core Reticulation Network	3,147,824	3,068,851
Private Reticulation Network	14,118	-
Meters and Relays	3,396	7,830
Plant and Equipment	888,735	777,214
Fibre Network	182,308	182,432
Intangibles	194,080	219,225
Total Depreciation of PPE	4,518,878	4,338,741
Loss on Disposal of Property, Plant and Equipment	297,544	165,115
Total Depreciation, Amortisation and Impairment of PPE	4,816,422	4,503,856
<i>Depreciation of Right-to-use Assets comprises:</i>		
Network Reticulation System	173,581	177,942
Plant and Equipment	24,545	24,046
Total Depreciation of Right-to-use Assets	198,126	201,988
Total Depreciation, Amortisation and Impairment	5,014,548	4,705,844

4. RECONCILIATION OF NET PROFIT WITH CASHFLOW FROM OPERATING ACTIVITIES

\$ NZD	2021	2020
Net Profit for the Year	6,249,553	4,208,707
Add/(Less) Non-Cash Items:		
Depreciation and Amortisation	5,014,548	4,705,844
Deferred Taxation	385,212	783,015
	5,399,760	5,488,859
Add/(Less) Movements in Working Capital Items:		
(Increase) / Decrease in Trade and Other Receivables	149,717	(421,248)
(Increase) / Decrease in Inventories	(74,084)	(230,263)
(Increase) / Decrease in Work in Progress	(178,246)	(3,176)
Increase / (Decrease) in Tax Payable	836,144	433,393
Increase / (Decrease) in Trade and Other Payables	(7,787)	(176,715)
Increase / (Decrease) in Employee Entitlements	112,816	(159,777)
	838,560	(557,786)
Net Cash Flows from Operating Activities	12,487,873	9,139,780

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	2021	2020
Trade Receivables	2,553,286	2,866,974
Loss Allowance	(57,045)	(94,897)
Total Receivables	2,496,241	2,772,077
Other Receivables	344,501	325,265
Prepayments	369,044	262,161
Balance at End of Year	3,209,786	3,359,503
Less Non-Current Trade Receivables	-	-
Current Trade and Other Receivables	3,209,786	3,359,503
Trade and Other Receivables less than 90 days old	3,152,741	3,264,606
Trade and Other Receivables greater than 90 days old	57,045	94,897
	3,209,786	3,359,503

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	2021	2020
Stores Inventory	2,008,970	1,934,886

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	2021	2020
Trade Payables	1,491,717	1,495,447
Accruals	2,014,630	360,758
Contract Liability - Capital Contributions	414,505	385,917
GST	74,571	200,875
Balance at End of Year	3,995,423	2,442,997

All trade and other payables have a maturity within one year

Contract Liability - Capital Contributions

\$ NZD	2021	2020
Opening Balance	385,917	405,446
Amount of transaction price received for unsatisfied performance obligations	2,103,895	1,942,965
Revenue recognised from performance obligations satisfied	(2,075,307)	(1,962,494)
Closing Balance	414,505	385,917

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.

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.. Employees are entitled to long service leave after serving for 15 years.

\$ NZD	2021	2020
Leave Entitlements	607,972	497,944
Other Entitlements	80,172	77,384
Total Employee Entitlements	688,144	575,328

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.

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	Core Reticulation Network	Private Reticulation Network	Land & Buildings	Meters & Relays	Fibre Network	Plant & Equipment	Total
Gross Carrying Amount							
At 1 April 2019	125,744,654		3,690,951	2,595,397	2,604,400	7,298,483	141,933,885
Additions	6,562,038		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
Additions	5,390,786	1,560,214	229,159	-	-	1,789,852	8,970,011
Disposals	(502,186)	-	-	-	-	(161,805)	(663,991)
At 31 March 2021	136,638,253	1,560,214	4,172,791	2,595,397	2,604,400	9,772,608	157,343,663

Accumulated Depreciation and Impairment

At 1 April 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
Charge for the Year	3,147,824	14,118	88,417	3,396	182,308	888,735	4,324,798
Disposals	(245,270)	-	-	-	-	(83,521)	(328,791)
At 31 March 2021	39,933,287	14,118	781,425	2,594,822	1,913,570	5,403,005	50,640,227

Net Book Values

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
At 31 March 2021	96,704,966	1,546,096	3,391,366	575	690,830	4,369,603	106,703,436
Work in Progress	3,274,435	181,742	552,013	-	-	48,047	4,056,237
	99,979,401	1,727,838	3,943,379	575	690,830	4,417,650	110,759,673

10. LEASES

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	2021	2020
Current	191,960	183,267
Non-current	741,113	960,382
Total Lease Liabilities	933,073	1,143,649

Interest expenses on these leases totalling \$44,945 (2020: \$65,727) is included in finance costs in the income statement.

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 straight-line 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	Reticulation Network	Plant and Equipment	Total
Gross Carrying Amount			
At 1 April 2019	1,228,833	88,549	1,317,382
New Leases	-	-	-
Variable Lease Adjustments	-	-	-
Terminated Leases	-	-	-
At 31 March 2020	1,228,833	88,549	1,317,382
New Leases	-	-	-
Variable Lease Adjustments	(28,876)	1,838	(27,038)
Terminated Leases	-	-	-
At 31 March 2021	1,199,957	90,387	1,290,344

Accumulated Depreciation and Impairment

At 1 April 2019	-	-	-
Charge for the Year	177,942	24,046	201,988
Terminated Leases	-	-	-
At 31 March 2020	177,942	24,046	201,988
Charge for the Year	173,581	24,545	198,126
Terminated Leases	-	-	-
At 31 March 2021	351,523	48,591	400,114

Net Book Values

At 31 March 2020	1,050,891	64,503	1,115,394
At 31 March 2021	848,434	41,796	890,230

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.

\$ NZD	2021	2020
Lessees – Operating Leases		
No later than one year	424,885	427,774
Later than one year and no later than five years	1,673,472	1,650,367
Later than five years	4,022,459	4,379,231
	6,120,816	6,457,372

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	2021	2020
Purchased Software		
Gross Carrying Amount		
Opening Balance	1,470,469	1,810,132
Additions	191,735	8,819
Disposals	-	(348,482)
Closing Balance	1,662,204	1,470,469
Accumulated Amortisation and Impairment		
Opening Balance	1,177,676	1,306,933
Charge for Year	194,080	219,225
Disposals	-	(348,482)
Closing Balance	1,371,756	1,177,676
Net Book Value	290,448	292,793
Work in Progress	161,977	26,879
Carrying Amount	452,425	319,672

NOTES TO THE FINANCIAL STATEMENTS

Net debt and equity

12. 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.

Foreign currency bank account balances are revalued to NZD at spot rate as at balance date

\$ NZD	2021	2020
NZD bank account	2,857,017	163,705
USD bank account	679,788	-
Term deposits (less than 90 days)	6,000,000	
Closing Balance	9,536,805	163,705

All term deposits and bank accounts are interest bearing, except for the USD bank account.

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

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 fair value through other comprehensive income (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 expected credit losses (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.

13. LOAN FROM WAITAKI POWER TRUST

\$ NZD	2021	2020
Opening Balance at 1 April	1,150,000	1,150,000
Amount Drawn Down through to 31 March	-	-
Closing Balance	1,150,000	1,150,000

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

14. 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	2021	2020
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 2021 year (2020 Nil).

15. 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	2021	2020
Balance at beginning of year	82,212,974	78,004,267
Net Surplus for Year	6,249,553	4,208,707
Balance at End of Year	88,462,527	82,212,974

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 pre-purchase of foreign currency or the use of foreign exchange contracts.

NOTES TO THE FINANCIAL STATEMENTS

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.

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. Investments with approved counter parties are limited to a term of no more than 24 months. The company will diversify its investments, where it is economic to do so with 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 over and above the balance required for working capital management is invested in interest-bearing call accounts and term deposits.

Note 16 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.

16. ANALYSES OF FINANCIAL LIABILITIES

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	-	-	-

At 31 March 2021

	Less than 1 year	Between 1 and 2years	Between 2 and 5 years	Over 5 years
Loan	51,750	51,750	155,250	1,408,750
Trade and Other Payables	3,995,423	-	-	-

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 4.5% (2020 5.26%). The over 5-year amounts allow for payments up to 10 years.

OTHER

17. 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	2021	2020
Tax Expenses For Period Made Up Of:		
Current Taxation Expense	1,795,493	766,474
Deferred Taxation Expense	385,212	783,015
Tax Expense	2,180,705	1,549,489
Profit Before Income Tax	8,430,258	5,758,196
Prima Facie Taxation @28 cents	2,360,472	1,612,294
Movement In Income Tax Due To:		
Non Deductible Expenses	4,659	24,299
Prior Period Adjustment	(184,426)	(87,104)
	(179,767)	(62,805)
Tax Expense	2,180,705	1,549,489
Deferred Tax Movements:		
Capital Contributions	(64,428)	(53,709)
Depreciation	(618,878)	(692,044)
Prior Period Adjustment	276,712	-
Other	21,382	(37,262)
	(385,212)	(783,015)
Current Taxation Expense	1,795,493	766,474

DEFERRED TAX LIABILITY

\$ NZD	Depreciation	Other	Total
Opening Balance as at 1 April 2019	12,494,031	2,179,247	14,673,278
Change in the Year	692,044	90,971	783,015
Closing Balance as at 31 March 2020	13,186,075	2,270,218	15,456,293
Change in the Year	342,166	43,046	385,212
Closing Balance as at 31 March 2021	13,528,241	2,313,264	15,841,505

CURRENT AND NON-CURRENT DEFERRED TAX LIABILITY

\$ NZD	Depreciation	Other	Total
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
2021			
Current Deferred Tax	-	-	-
Non-Current Deferred Tax	13,528,241	2,313,264	15,841,505
Total Deferred tax	13,528,241	2,313,264	15,841,505

NOTES TO THE FINANCIAL STATEMENTS

18. RELATED PARTY TRANSACTIONS

\$ NZD	2021	2020
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	53,929	63,423
Outstanding Balance at Balance Date	-	-
Network Waitaki Limited 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		
Director's Fees	34,455	34,366
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	6,111	5,318
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.		
Director's Fees	34,455	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	34,455	34,367
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	551,011	821,602
Network Waitaki Ltd to key management personnel		
Payments to key management personnel are made in accordance with employment agreements.		
Employee Costs	1,499,294	1,420,492

19. CAPITAL COMMITMENTS

\$ NZD	2021	2020
Network Assets	879,883	264,464
Non-Network Assets	1,144,430	254,597
Total	2,024,313	519,061

20. CONTINGENT LIABILITIES

On 4 October 2020, there was a large fire in the Ohau area that resulted in a prolonged disruption to the supply of electricity to the area. The cause and origin of the fire remains under investigation with Fire and Emergency New Zealand yet to issue a draft report on the event. It is too early to determine whether these events may result in a financial liability for the Company. Accordingly, the Company has not recognised any liabilities, actual or contingent, in respect of this event. (2020 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 2021

\$NZD	Actual \$	SCI \$	Variance \$
Statement of Comprehensive Income			
Revenue Excluding Capital Contributions	27,044,323	21,460,340	5,583,983
Capital Contributions	2,075,307	1,712,000	363,307
Total Revenue	29,119,630	23,172,340	5,947,290
Less Expenses Excluding Depreciation	(14,193,128)	(12,852,856)	(1,340,272)
Less Depreciation	(5,014,548)	(4,871,287)	(143,261)
Net Profit before Discount and Tax	9,911,954	5,448,197	4,463,757
Less Discount	(1,481,696)	(1,000,000)	(481,696)
Net Profit Before Taxation	8,430,258	4,448,197	3,982,061
Less Taxation	(2,180,705)	(1,245,495)	(935,210)
Net Profit After Discount and Taxation	6,249,553	3,202,702	3,046,851

Comment

Strong revenue from higher electricity volumes to irrigators and expansion of our contracting business to external customers drove the financial performance for the year with higher than budgeted revenue (\$5.9m) resulting in improved profit before discount and tax (\$4.5m).

Balance Sheet as at 31 March 2021

\$NZD	Actual \$	SCI \$	Variance \$
Shareholders' Equity	103,033,646	99,401,355	3,632,291
Current Assets	14,945,970	7,694,374	7,251,596
Current Liabilities	6,282,034	3,732,130	2,549,904
Working Capital	8,663,936	3,962,244	4,701,692
Non-Current Assets	112,102,328	111,911,079	191,249
Non-Current Liabilities	17,732,618	16,471,968	1,260,650
Total Net Assets	103,033,646	99,401,355	3,632,291

Comment

Stronger than expected profitability has generated higher than expected cash reserves and an improved equity position at year end.

STATEMENT OF SERVICE PERFORMANCE

Key Financial Reporting Measures

	Actual	SCI	Variance
NPBT to Shareholder Funds	8.18%	4.47%	3.71%
Net Assets per Share	\$7.36	\$7.10	\$0.26
NPBT Earnings per Share in Cents	60.22	31.77	28.45
Ratio of Shareholders' Funds to Total Assets	81.10%	83.11%	(2.01%)
Rate of Return After Tax on Shareholder Funds	6.07%	3.22%	2.85%

Comment

Improved profitability through revenue growth has seen improvement in all key profitability metrics. Higher tax liabilities and an investment into a private network, not due for cash settlement until the new financial year has resulted in higher than planned liabilities which resulted in a lower than expected ratio of shareholder funds to total assets.

Non-Financial Reporting Measures

	Actual	SCI	Variance
Reliability			
SAIDI minutes (unplanned)	46.3	45.0	(1.3)
SAIDI minutes (planned)	100.4	105.0	4.6
SAIDI minutes total	146.7	150.0	3.3
SAIFI minutes (unplanned)	0.80	0.80	-
SAIFI minutes (planned)	0.38	0.40	0.02
SAIFI total	1.18	1.20	0.02

Comment

Normalised reliability statistics for our network were in line with our target, despite the significant impact of the Ohau and Livingstone fire outages.

Health and Safety

	Actual	SCI	Variance
Lost Time Injury Frequency Rate (LTIFR*)	1.39	1.35	(0.04)
Total Recordable Injury Frequency Rate (TRIFR*)	2.78	2.65	(0.13)
Public Safety Management System Accreditation (NZS7901)	Achieved	Achieved	-
Review of Critical Risks	2	2	-
WorkWell (Health and Wellbeing) Program Accreditation	Implementation	Implementation	-
SiteSafe Contractor Accreditation	Achieved	Achieved	-

Comment

The injury rates were slightly above target due to one lost time injury and two restricted work injuries recorded for the year. The Public Safety Management Systems audit was achieved to NZS7901-2008 and 7901-2014 standards. The SiteSafe accreditation was updated to Gold standard in line with recent category changes made by SiteWise. Reviews of critical risks were completed.

**Hours worked, used in the calculation of LTIFR and TRIFR, is based on actual hours worked for waged employees and estimated as 40 hours per week for salaried employees.*



Independent Auditor's Report

To the readers of Network Waitaki Limited's financial statements and performance information for the year ended 31 March 2021

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 38 to 56 that comprise the financial position as at 31 March 2021, 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 service performance information of the company on pages 57 to 58.

In our opinion:

- the financial statements of the company:
 - present fairly, in all material respects:
 - its financial position as at 31 March 2021; 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 2021.

Our audit was completed on 31 May 2021. 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 67 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 which is compatible with the requirements. Other than the audit and this engagement, we have no relationship with, or interests in, the company.

On behalf of the Auditor-General

A handwritten signature in black ink, appearing to read 'Nathan Wylie', with a large, sweeping flourish extending from the end of the signature.

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

STATUTORY INFORMATION

DIRECTORS' INTERESTS

The following Directors of Network Waitaki Ltd 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 Ltd 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 Ltd	Director
Farmlands Co-operative	Director

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 Ltd	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 (2020) Ltd	Director and Shareholder
BCO Trustees (Mertha) Ltd	Director and Shareholder
BCO Trustees (Robertson) Ltd	Director and Shareholder
BCO Trustees (Schofield) 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 Limited	Director and Shareholder
Smart Technology Working Group of the Electricity Networks Association	Chairman
Waipa Networks Limited	Chairman

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 Limited (and subsidiaries)	Director
Gas Industry Company Limited	Facilitator to the gas industry
Herbert Gardens Limited	Director and Shareholder
Horowhenua Wind Energy Limited	Director
NZ Electricity Sector	Training facilitator
Wellington Water Limited	Director

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

A dividend of \$120,000 is proposed for the year ended 31 March 2021 (2020 Nil).

DISCOUNT

A discount (excluding GST) of \$1,481,696 has been paid to Customers in the year (2020 \$1,166,985).

DONATIONS

The company made donations (excluding GST) totalling \$157,386 in the year (2020 \$108,945).

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
Chris Dennison	58,151
Chris Bailey	34,455
Michael de Buyzer	34,455
Jonathan Kay	34,455
Mike Underhill	34,455
Tony Wood	34,455
Total	230,426

EMPLOYEE REMUNERATION

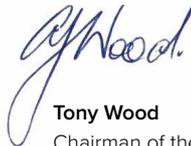
The Companies Act 1993 requires the number of current and former employees receiving remuneration greater than \$100,000 to be disclosed. Details of remuneration ranges for employees of Network Waitaki Limited are:

Remuneration Range	2021	2020
\$100,000 - \$109,999	9	6
\$110,000 - \$119,999	1	1
\$120,000 - \$129,999	3	2
\$130,000 - \$139,999	4	2
\$140,000 - \$149,999	1	-
\$150,000 - \$159,999	2	2
\$190,000 - \$199,999	1	-
\$310,000 - \$319,999	1	1

This annual report is dated 31 May 2021 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)
- Chris Bailey
- Michael de Buyzer
- Jonathan Kay
- Mike Underhill
- Tony Wood

SOLICITORS:

- Berry & Co, Oamaru
- Webb Farry, Dunedin
- Lane Neave, Christchurch

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:

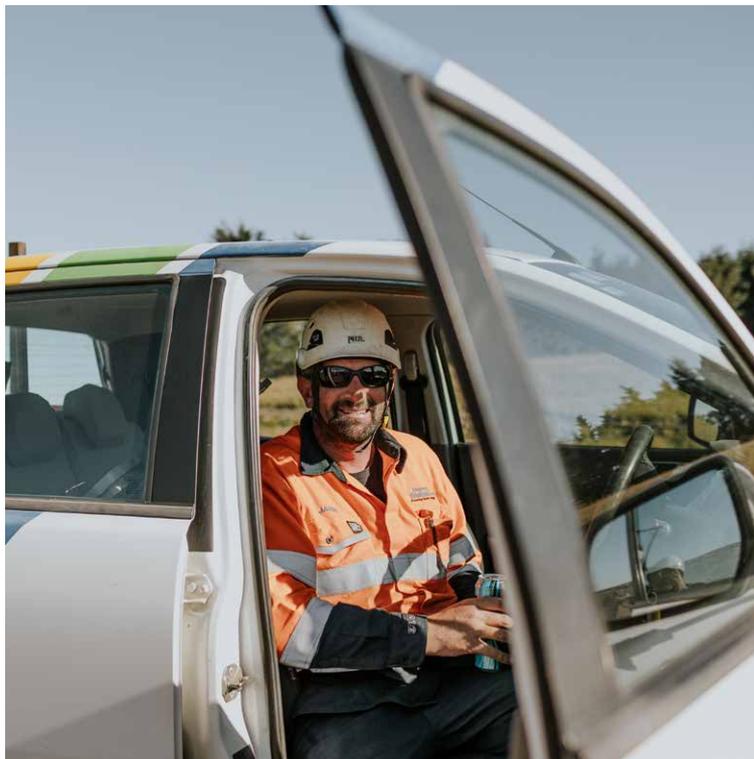
- John Clements (Chairman)
- Helen Brookes
- Doreen Cleave
- Herbert Tonkin
- John Webster

AUDITORS:

Nathan Wylie
PricewaterhouseCoopers
Christchurch
ON BEHALF OF The Auditor-General

PRINCIPAL BANKERS:

ANZ
The Octagon
Dunedin





www.networkwaitaki.co.nz
