WAIPĀ NETWORKS LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED 31 MARCH 2023

2023

WAIPĀ NETWORKS

THIS IS THE ANNUAL REPORT OF WAIPĀ NETWORKS LTD

Dated 29 June 2023

Signed for and on behalf of the Board of Directors

Jonathan Kay
Chair
Waipā Networks

Mike Marr
Deputy Chair
Waipā Networks

CONTENTS

CHAIR/CEO REPORT

INTRODUCTION

Tēnā koutou katoa

We're pleased to present our Annual Report for the financial year ending 2023.

Throughout the year, we have continued to invest in our network infrastructure, technology, and workforce to ensure we are well-positioned to meet the evolving needs of our customers and communities. We are also strengthening our focus on sustainability and defining how we enable our community to transition toward a net carbon zero future.

Our team responded well to the impact of Cyclone Gabrielle, reinstating our high voltage network within days of what was one of the worst storms in recent history. We also provided crews to support Vector's remedial work in Auckland in the aftermath of the Cyclone.

During the year we welcomed Sean Horgan as the new CEO for Waipā Networks. We would like to thank the interim CEO, Marcel Manders, who supported our business and staff through the transition.

We were also pleased to appoint three new Senior Leadership roles – Head of Customer & Community Engagement, Head of Finance & Commercial and Head of Network. These appointments demonstrate our continued commitment to building a strong and diverse leadership team that will support our company into the future.

This Annual Report provides an overview of our financial performance, including a summary of key initiatives, challenges, and community engagement efforts over the past year. We're proud of our progress and look forward to building on our achievements in the years to come.

On behalf of the Board of Directors, Management and our wider Waipā team, I thank you for your ongoing support. We remain committed to delivering a sustainable and reliable service in order to power our community's success

Nāku iti noa nā

Jonathan Kay
Chair
Waipā Networks

Sean Horgan
Chief Executive Officer
Waipā Networks

COMPANY KEY HIGHLIGHTS

In FY23, we've achieved a number of milestones across several areas, further demonstrating our commitment to safety, delivery and community support.

Our safety record continues to improve with zero serious harm injuries and the lowest Total Injury Frequency Rate (TIFR) in recent years of 4.1. We have improved our safety performance through a focus on incident reporting and investigations to ensure that we continually improve.

We've connected 498 new customers to our network.

We've signed an agreement with Transpower for the development of a new substation (the Hautapu Grid Exit Point (GXP)) to service the Cambridge community. The contract with Transpower will provide additional power supply capacity to meet increasing demand and will be ready for winter 2025.

We've introduced a new connection fee structure, ensuring new customers contribute fairly to our ongoing network development.

We've also demonstrated our commitment to the community through gifting 65,000 eco-light bulbs, promoting energy efficiency and cost savings for our customers.

We're supporting, training, and qualifying six line mechanic trainees ensuring that we have the capability that we need into the future.

Our two primary contracting activities, electrical construction, and arborist services, both produced high sales on the back of a growing region and increased customer interest in our services

We have recently appointed a new Senior Leadership Team who will bring fresh perspectives and expertise to our operations.

HEALTH & SAFETY

The health and safety of our staff, customers, and the public is paramount to us. We're fully committed to providing a safe and healthy workplace and ensuring our operations don't harm the environment.

Employee safety is a critical priority for Waipā Networks. Our target for serious harm injuries is zero, and we're pleased to report that we once again achieved this in FY23. We have also continued to reduce our Total Injury Frequency Rate (TIFR) and injury severity to 4.1 and 70 respectively. While these positive outcomes result from our ongoing efforts to prioritise safety we recognise that keeping our staff and customers safe is an ongoing journey and we remain committed to improving our performance further.

"We're fully committed to providing a safe and healthy workplace and ensuring our operations don't harm our people or the environment"

CUSTOMER & COMMUNITY

During the year we've connected 498 new customers to our network. As one of the fastest growing regions in New Zealand we recognise our role as a key infrastructure provider for the Waipā region.

We regularly seek feedback from our customers and community organisations through several channels, including our annual customer survey. The results from last year's survey showed our overall customer satisfaction at 58% an improvement on our previous year's result of 55%. Overall reliability of supply was above the benchmarked average amongst Electricity Distribution Businesses (EDB's) at 78%. We have made several changes to our customer communications and provision of outage information which has reflected positively in fewer related complaints.

We understand the importance of community engagement and our role in supporting local initiatives. In 2022, we continued to support various community programmes, including sponsoring the Cambridge and Te Awamutu Chambers of Commerce, Waipā/King Country Life Education Trust, EVolocity Schools Electric Bike Competition, Maungatautari Ecological Island Trust, Pirongia Te Aroaro O Kahu Restoration Society Inc, the Cambridge Autumn Festival and Waipā Business Awards.

As part of our commitment to supporting energy efficiency and sustainability, we embarked on a programme to encourage our customers to switch to energy-efficient lighting. During the third quarter last year we distributed 65,000 LED light bulbs in partnership with Ecobulb and local community groups throughout Waipā. Next year we'll continue to grow this programme by introducing our Energy Assessment Programme, enabling our customers to identify areas in their homes where energy efficiency improvements can be made, and reducing their energy consumption and costs. Initiatives such as these provide the opportunity to make a positive difference in people's lives and form a deeper connection with our community.

As we look towards the future, understanding our customers and their needs, we remain committed to providing safe, reliable, and affordable electricity while contributing to the growth and development of our Waipā community.

FINANCIAL RESULTS

Overall, we performed well with Net Profit before tax at $7.5m. We achieved our targets on return on total assets and return on equity. We exceeded our target for discounts paid to customers, thanks partly to a higher than anticipated loss rental rebate.

Profit before associate income, interest expense, and tax as a percentage of total assets was targeted at 3.00%, and the actual result for 2023 was 3.3%. The company performed better than anticipated due to higher lines charges, capital contributions and unrealised gains on investments. However, this was partially offset by increased employee and maintenance costs.

Profit after tax as a percentage of equity was targeted at 2.60%, and the actual result for 2023 was 2.65%. Excluding investment gains and losses, the comparable results for 2023 would have been 2.68%, while the actual result for 2022 was 3.4%. No investment gains or losses were forecasted in the SCI.

The net proceeds after debt repayment of the UFF sale ($65m) remain invested in a conservative fund in order to preserve capital. During FY23, the fund increased in value by $583k (after fees and taxes) in challenging markets.

Discounts paid to customers were targeted at $5.3 million, and the actual result for 2023 was $6.15 million. This target included an estimated Transpower loss rental rebate of $500k. However, the actual loss rental rebate for 2023 was $1,656k (2022: $834k) which was returned to customers as we are required to do. From April 2023 the loss rental rebate will be paid directly to Electricity Retailers, with the hope that they will continue to be transferred back to the Waipā community.

$6.15m

distributed in customer discounts

CYCLONE GABRIELLE

On 14 February 2023, Cyclone Gabrielle hit the North Island including the Waipā region with strong winds and heavy rainfall. The result was significant damage to our network including broken poles, lines and fallen trees which left approximately 8,500 customers without power.

The System Average Interruption Duration Index (SAIDI) impact of the storm was 227 SAIDI minutes which was almost double the SAIDI impact of Cyclone Dovi in early 2022 – with close to a third of our customers without power directly after the storm. SAIDI impact across the year without major events was 168 minutes.

Despite the scale of the damage, all 8,500 customers were restored in just over a week, with more than 80% of customers restored within 24 hours, and 96% within 48 hours. Our team worked incredibly hard and these results are due to the dedication of our skilled technicians and support staff, demonstrating our commitment to providing reliable and efficient services to our communities.

The community's reaction to our Cyclone Gabrielle response was overwhelmingly positive and no customer complaints were received in relation to the cyclone restoration, a huge improvement in comparison to complaints received after Cyclone Dovi. We do recognise the profound impact on our customers of having no power and want to thank those affected for their patience. We also recognise that storms like Cyclone Gabrielle are likely to become more frequent and severe and that our customers will expect us to provide greater resilience within our network. This is being factored into our planning around how we meet the needs of a highly electrified world as we move to a low carbon future.

OUR NETWORK

Our FY23 unplanned SAIDI and SAIFI (System Average Interruption Frequency Index) was higher than target. The increase in unplanned outages (excluding Cyclone Gabrielle) was largely the result of several one-off vegetation events (trees through lines) and third-party incidents that were compounded by a difficult and long restoration process. Network reliability is a key focus within our 2023 Asset Management Plan – reflected in our condition assessment programme and increased capital programme.

As we continue to experience strong growth driven by new customers, we've implemented a new connection fee. This ensures new customers contribute to the investment we are making in our network. We believe this is a more equitable arrangement than socialising this cost across all customers.

One of our major projects is our partnership with Transpower to build an 80MVA Grid Exit Point (GXP) at Hautapu to support growth and secure supply to Cambridge and surrounding areas. The project includes the installation of new substations and lines, as well as upgrades to existing infrastructure and will be operational by winter 2025. By investing in this project now, we can ensure our customers in Cambridge will have a reliable and sustainable source of electricity for years to come. This partnership highlights our commitment to ensuring our customers have a reliable power supply that will support both the growth and decarbonisation of our region.

We're continuing to invest in our network across the Waipā region. This includes upgrades to existing lines and substations and the installation of new infrastructure in areas where demand is particularly high.

In FY23, we completed the implementation of a new Geographical Information System (GIS) that contains core asset information. This system will help us manage our assets more efficiently and make informed decisions about maintenance and upgrades. It will also improve our response times in case of emergencies.

CHANGES TO STAFF

Over the past fiscal year, we've experienced several changes to leadership and key staff.

Leadership transitioned from interim CEO Marcel Manders to new CEO Sean Horgan. Sean has a strong leadership history in our industry and is active in our local community.

Three newly filled Senior Leadership roles, including the Head of Customer & Community Engagement, the Head of Finance & Commercial, and the Head of Network. These appointments indicate the company's commitment to building a diverse and strong leadership team that can help drive success.

Overall, the change and transition in leadership roles have been positive and position us well for future growth and success. We're confident our new leadership team will help to drive innovation, improve customer engagement, and create new opportunities for growth and development.

Attracting and retaining talent is a key challenge for both our industry and Waipā Networks. As network's increase their capital programmes to support a decarbonised economy, skilled technical resource will be in high demand, therefore we will look for new ways to leverage the benefits that Waipā Networks has to offer.

LOOKING FORWARD

Over the last year we have continued to reinvest in the business, in our people, our systems and our network. In the upcoming year, our primary focus will be on four key focus areas, performance, community, growth, and sustainability identified in our business strategy.

Recent years have seen a shift in our approach. We are starting to put our customers and community at the heart of our actions and decisions. We will dedicate ourselves to better understanding our customers, enabling them, and providing support. Taking a customer-centric approach will determine our priorities and our performance targets for the year ahead.

Like our peers we are facing the issue of adapting our business in the face of significant growth driven by decarbonisation. This is not a trivial problem as we need to meet significant growth and deliver a step change in customer service. We are also facing the reality that a growing number of our customers are facing energy hardship and that this problem could be exacerbated by the energy transition. We are leaning into this issue. Our challenge must be to ensure we build the network for the future whilst ensuring electricity remains affordable for all our customers.

We are looking at how we optimise our assets balancing risk and return and how we best deploy our investment proceeds.

We are confident that Waipā Networks will continue to deliver strong results and contribute to a sustainable and prosperous future for our customers and communities.

ACKNOWLEDGEMENTS

On behalf of the Board, we would like to thank Sean and his leadership team for their exceptional efforts in navigating the complexities of the past year and their commitment to Waipā Networks.

We'd also like to acknowledge and thank our staff, whose hard work and dedication have been essential in providing safe and reliable services to our customers. We're grateful for their unwavering commitment to ensuring the safety of our customers, communities, and each other.

To my fellow Directors, thank you for your valuable contributions to the governance of Waipā Networks. Your guidance and support have been crucial in ensuring the Board continues to operate at a high standard.

Lastly, we'd like to thank the Trustees for their critical role in contributing to the success of our company over the past year. Our relationship continues to evolve to the betterment of our community. We look forward to working closely with you in the years ahead.

Jonathan Kay
Chair
Waipā Networks

Sean Horgan
Chief Executive Officer
Waipā Networks

FINANCIAL PERFORMANCE

Waipā Networks' principal business activity is to own and operate the electricity distribution network immediately south of Hamilton. The Company services the large rural towns of Cambridge and Te Awamutu, together with the smaller rural and coastal settlements of Ohaupo, Kihikihi, Pirongia, Kāwhia, and Aotea Harbour.

The Company's assets comprise 1,405km of 11kV and 851km of 400V lines and underground cables supplying 28,293 consumers.

The consumers own the Company through the Waipā Networks Trust.

The Company operates its own contracting division to construct and maintain electricity distribution lines for any customer, including Waipā Networks.

RESULTS IN BRIEF

	FY23	FY22	FY21	FY20	FY19
Operating revenue ($m)	44.48	42.12	40.11	40.72	40.22
Earnings before interest cost, tax, depreciation, amortisation and customer discounts ($m)	19.84	19.42	45.78	20.12	19.74
EBITDAD excluding gain on sale of shares in UFFH ($m)	**19.82**	**18.68**	**16.64**		
Earnings before tax and interest cost ($m)	7.94	9.14	39.84	10.57	10.45
Operating surplus ($m)	4.95	7.13	36.18	5.78	5.25
Operating surplus excluding gain on sale of shares of UFFH	**4.92**	**6.39**	**7.04**		
Total assets ($m)	242.18	230.51	217.53	241.13	223.69
Total equity ($m)	187.03	182.09	174.95	138.77	133.00
Return on equity	2.65%	3.92%	20.68%	4.17%	4.02%
Discounts paid ($m)	6.15	5.46	5.75	5.10	4.76
Customer connections	28,791	28,293	27,698	27,270	26,805
Total sales (GWH)	419.77	436.36	398.29	388.71	392.02
System CAPEX ($m)	10.89	7.20	8.12	10.23	5.05
CAPEX ($m)	16.38	17.99	9.19	11.48	5.88
Maintenance ($m)	4.40	2.95	3.50	3.47	3.04


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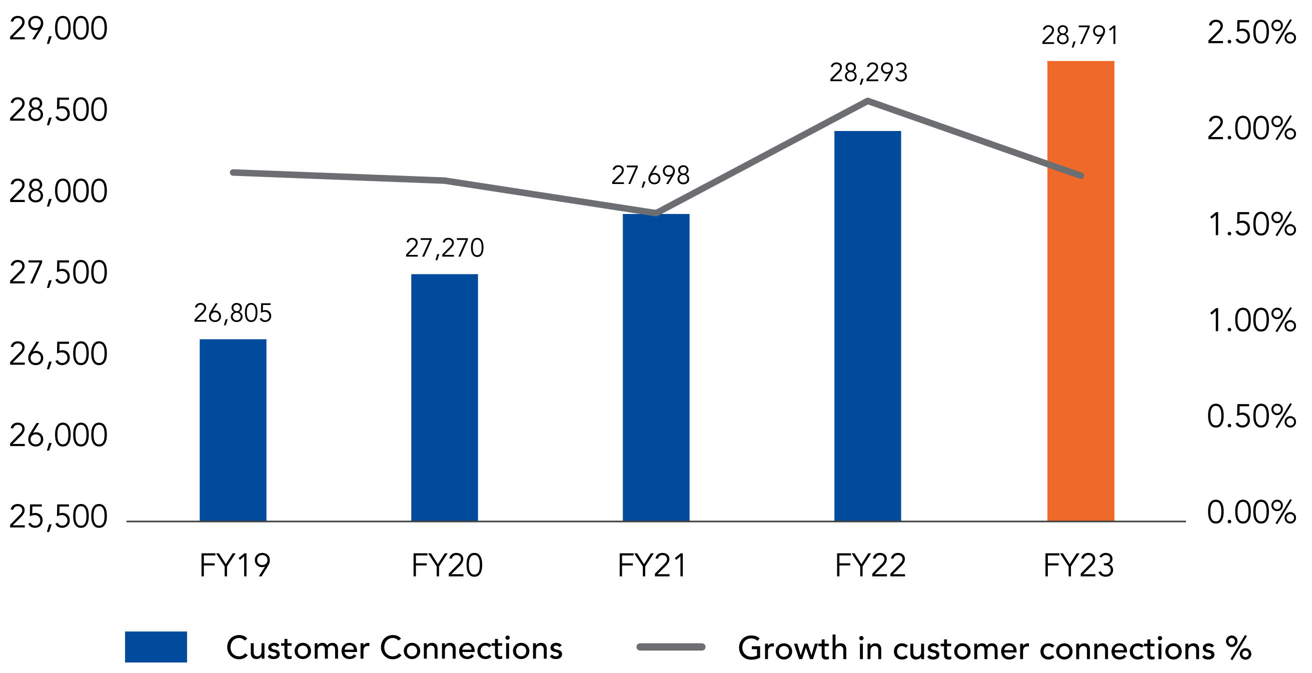
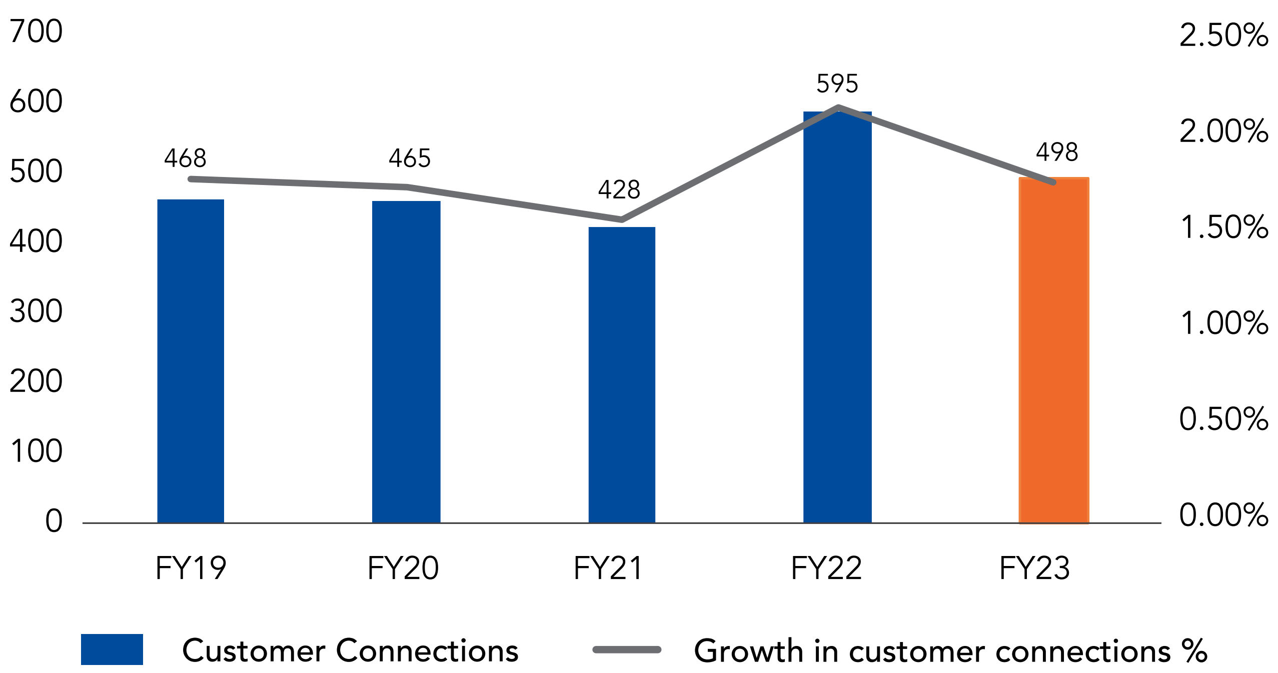
NETWORKS

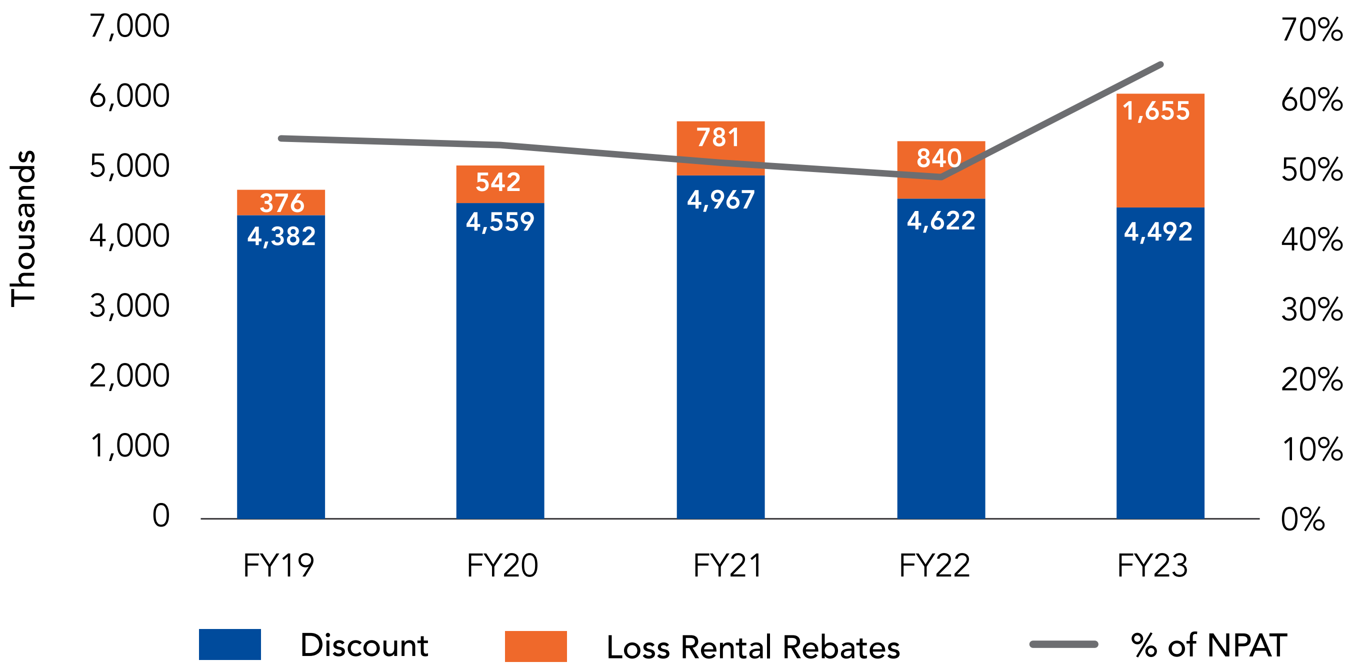
CUSTOMER CONNECTIONS



GROWTH IN CUSTOMER CONNECTIONS



DISTRIBUTIONS



AUDITED FINANCIAL STATEMENTS

The Board of Directors are pleased to present the audited financial statements of Waipā Networks Ltd for the year ended 31 March 2023.

The Company's audited financial statements include audited performance statements:

- Financial
- Network Performance
- Customer, Community and Environment
- People

Authorised for issue on 29 June 2023.

For and on behalf of the board of directors:

Jonathan Kay
Chair
Waipā Networks

Jonathan Cameron
Director
Waipā Networks

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2023

	Note	2023 $	2022 $
Revenue	2	44,477,695	42,121,775
Less discounts		6,146,738	5,461,755
Net revenue		38,330,957	36,660,020
Operating expenses	3	31,097,013	27,360,766
Profit from operations		7,233,944	9,299,254
Net gain (loss) on investments		583,692	(908,659)
Interest income		5,816	2,205
Net gain on disposal of assets		91,918	4,352
Profit before share of profit (loss) of associate, finance costs and tax		7,915,370	8,397,152
Finance costs	5	420,308	195,976
Gain on disposal of associates		24,352	740,516
Profit before tax, attributable to the shareholder		7,519,414	8,941,692
Tax	6	2,571,972	1,809,214
Total comprehensive income for the year, attributable to the shareholder		**4,947,442**	**7,132,478**

STATEMENT OF MOVEMENTS IN EQUITY

For the year ended 31 March 2023

	2023 $	2022 $
Authorised capital	10,000,000	10,000,000
Reserves	58,666,211	58,666,211
Retained earnings	113,420,475	106,287,997
	182,086,686	174,954,208
Total comprehensive income for the year, attributable to the shareholder	4,947,442	7,132,478
Equity as at 31 March	**187,034,128**	**182,086,686**

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 March 2023

	Note	2023 $	2022 $
Assets			
Property, plant and equipment	13	157,661,272	148,857,385
Right of use assets	14	129,749	151,991
Intangible assets	15	8,829,652	7,177,327
Prepayments		255,562	265,267
Loans to shareholders	22	100,236	80,788
Total non-current assets		166,976,471	156,532,758
Cash and cash equivalents	9	601,579	1,331,455
Investments	18	65,947,439	65,363,746
Trade and other receivables	11	4,956,469	4,415,127
Income tax receivable		838,630	585,908
Inventories	12	2,857,004	2,283,248
Total current assets		75,201,121	73,979,484
Total assets		**242,177,592**	**230,512,242**
Equity			
Total equity		187,034,128	182,086,686
Liabilities			
Employee entitlements	19	124,033	161,133
Lease liabilities	14	117,934	138,219
Capital contributions in advance	17	8,473,219	8,392,603
Deferred tax liabilities	7	24,476,824	23,306,943
Total non-current liabilities		33,192,010	31,998,898
Trade and other payables	16	4,162,945	3,439,990
Capital contributions in advance	17	6,997,205	5,213,909
Borrowings	10	9,940,000	7,050,000
Lease liabilities	14	20,285	19,014
Employee entitlements	19	831,019	703,745
Income tax payable		-	-
Total current liabilities		21,951,454	16,426,658
Total liabilities		55,143,464	48,425,556
Total equity and liabilities		**242,177,592**	**230,512,242**

The accompanying notes form part of these financial statements.

For and on behalf of the Board

Jonathan Kay, Chair
Waipā Networks
29 June 2023

Jonathan Cameron, Director
Waipā Networks
29 June 2023

STATEMENT OF CASH FLOWS

For the year ended 31 March 2023

	Note	2023 $	2022 $
Cash flows from operating activities			
Receipts from customers		37,469,796	37,351,929
Discounts paid to customers		(6,146,738)	(5,461,755)
Payments to suppliers and employees		(24,147,777)	(22,194,910)
Net GST		100,029	248,550
Cash generated from operations		7,275,310	9,943,814
Interest received		3,721	952
Interest and finance costs paid		(410,240)	(193,380)
Taxes paid		(1,654,813)	(2,474,144)
Net cash flows from operating activities	**24**	**5,213,978**	**7,277,242**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		284,175	124,414
Capital contributions		6,797,377	6,029,746
Purchase of property, plant and equipment		(14,094,817)	(16,105,044)
Purchase of intangible assets		(2,190,539)	(1,888,612)
Proceeds from sale of investment in associate		403,851	361,017
Purchase of investments		(1,384,808)	(1,372,989)
Distribution of investments		1,384,808	1,372,989
Net cash used in investing activities		**(8,799,953)**	**(11,478,479)**
Cash flow from financing activities			
Increase in borrowings		2,890,000	4,050,000
Loan to shareholder		(16,100)	(79,535)
Repayment of borrowings		-	(51,819)
Principal portion of the lease liability		(17,801)	(17,801)
Net cash flows from financing activities		**2,856,099**	**3,900,845**
Net increase (decrease) in cash held		(729,876)	(300,392)
Cash and cash equivalents at 1 April		1,331,455	1,631,847
Cash and cash equivalents at 31 March		601,579	1,331,455
Cash balances in the statement of financial position			
Cash and cash equivalents	**9**	**601,579**	**1,331,455**

The GST (net) amount in operating activities reflects GST paid and received. The GST (net) amount has been presented as the gross amounts do not provide meaningful information for financial reporting purposes.

The bank facility allows the Company to draw down borrowed amounts for shorter term periods within the overall terms of the facility agreement, which the Company has utilised multiple times in the year to manage its funding and working capital requirements.

The accompanying notes form part of these financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

1. Statement of accounting policies

Reporting entity

Waipā Networks Limited (the Company) is a profit oriented limited liability company domiciled and incorporated in New Zealand, registered under the Companies Act 1993 (Registered Office is 240 Harrison Drive, Te Awamutu). The Company is an electricity network business, delivering energy to customers in the Waikato Region. The company is 100% owned by a consumer trust, the Waipā Networks Trust.

Statement of compliance

The Financial Statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). The Financial Statements comply with the New Zealand Equivalent to International Financial Reporting Standards (NZ IFRS), and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities.

Basis of preparation

The functional and reporting currency used in preparation of the Financial Statements is New Zealand dollars. They are prepared on a historical cost basis. 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 exclusive of GST with the exception of receivables and payables which include GST invoiced.

These Financial Statements have been prepared in accordance with NZ IFRS.

These general purpose financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 2013 and the Companies Act 1993.

The entity's owner, or others, do not have the power to amend the financial statements after issue.

Critical accounting estimates and judgments

The preparation of Financial Statements in conformity with NZ IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(i) Impairment of property, plant and equipment and intangible assets

The carrying amounts of the Company's assets other than deferred tax assets are reviewed at each balance date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated, being the greater of the net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income.

1. Statement of accounting policies *continued*

In accordance with its policy, the Company has made an assessment of indicators that are most relevant to the Company's asset base and the risks of impairment, including whether:

- The network assets are able to meet its service performance expectations
- The Company's operational activities are, and forecast to be, profitable and therefore, financially sustainable. The directors forecast income and cash flows into the medium to long term, and make comparison of budget to actual on regular basis to monitor the Company's financial viability
- The assets are deteriorating faster than the expected useful lives, refer (ii) below.
- The impact of external events indicate specific impairment risks. We specifically considered the impact of Covid-19, two significant cyclones, and the forecast economic environment and have not determined any impairment risk.

Our assessment did not identify any indicators of material impairment across the property, plant and equipment or intangible assets of the Company, including easements.

(ii) Useful lives of property, plant and equipment

Useful lives are determined on an asset by asset basis and set in the Company's depreciation policies, revisited annually and adjusted if there is evidence that the useful lives are no longer as expected. The policy rates consider the nature of the assets, and the pattern by which the Company will realise value from the assets, their economic use, within the Company's strategic purpose and expected operating activities.

The condition of assets operating to plan, and thus the accuracy of the useful life assumption is monitored by asset inspections, systems and processes to capture information on asset condition (surveying, GIS and SCADA) and having an asset maintenance program in place. KPIs that monitor compliance to program provide reassurance that assets are sufficiently maintained and that the estimate is a materially accurate reflection of their actual lives. The Directors monitor progress against targets of the annual capital and maintenance plans, system reliability and performance targets to help form their judgment on the appropriateness of useful lives estimates.

Changes in accounting policies

New and amended standards and interpretations.

There have been no changes in accounting policies. The accounting polices set out below have been applied consistently to all periods presented in these financial statements.

2. Revenue

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods and services supplied. The Company recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Company's activities, as described below.

1) Network line services

Revenue recognised over time:

The Company's obligation is to provide a single performance obligation of continuous service to which the customer benefits incrementally over time as the service is delivered. The Company invoices its customers (predominantly electricity retailers) monthly for electricity delivery services across the region's lines network. No customers have significant payment terms or extended credit.

The Company's revenue is predominantly sourced from Electricity Retailers who are invoiced monthly for the delivery services to their connected customers (ICPs) in accordance with standard industry protocols. There are three ICPs who have a direct contractual relationship with the Company for delivery services and those are invoiced direct accordingly. No customers have significant payment terms or extended credit. ICPs have price categories and plans allocated in accordance with the Waipā Networks Limited Pricing Methodology. The majority of services are charged on a cost-recovery model, composed of fixed and volumetric charges. The Company has Advanced Uncontrolled price plans (and Advanced All Inclusive Plans) offering rates dependent in which time period (Peak/Off Peak/Shoulder) electricity was used. All ICPs with an advanced meter moved to a form of Advanced pricing from 1 April 2022 .

Large low voltage ICPs have the option of a 400V Capacity Contract price plan, where costs are recovered through both a maximum demand charge and volumetric Advanced pricing. The maximum demand charge automatically increases in keeping with any increase in maximum demand from the previous month, however any reduction in maximum demand does not result in reduced charges until that reduced maximum demand has been sustained for a full 12 month period. Large 11kV ICPs are charged on a similar basis as the 400V Capacity Contract ICPs, with the exception of the three direct-billed customers who have individual fixed monthly invoices, reviewed annually.

Revenue comprises amounts received and receivable at balance date for network services supplied to customers in the ordinary course of business, including estimated amounts for accrued sales.

2) Contracting sales

Revenue recognised over time:

Contracting sales include charges to retailers for ongoing service arrangements. Revenue is recognised over time by reference to completion of the actual service provided as a proportion of the total services to be provided.

Revenue recognised at a point in time:

The majority of point in time contracting sales include charges to customers for electrical servicing on customer-owned assets such as upgrading street light or overhead lines. Deposits of 50% taken are deferred income within Statement of Financial Position liabilities until the obligation is complete. Other contracting sales include charges to customers in response to call outs and customer faults. These works are invoiced after the service is provided based on a standard charge out rate for time and materials incurred. For both, revenue is recognised in the statement of comprehensive income on completion of the works.

Across all contracting sales, no customers have significant payment terms or extended credit. The company provides a one year warranty on materials and labour for electrical works performed as an assurance that the products sold comply with agreed-upon specifications. No provision for the warranty has been provided as any future claims on work performed are not expected to be material.

3) Capital contributions

Revenue recognised over time:

Contributions received from local authorities and other third parties towards the cost of additions or modifications to the reticulation assets are invoiced in advance of works being performed and recognised in the Statement of Financial Position initially as deferred income. When the asset improvements are completed, the Company has performed the conditions attached to the income and the revenue is recognised in the statement of comprehensive income as operating income on a straight-line basis over a period of up to 40 years that reflects the useful lives of the asset and the benefit to the customer.

Revenue recognised at a point in time:

Other contributions towards the cost of additions or modifications to the reticulation assets are invoiced when received and recognised in the Statement of Financial Position initially as deferred income. The revenue is recognised in the statement of comprehensive income as operating income when the works have been completed.

Asset title and obligation to maintain resides with the Company and the asset is capitalised as part of the electricity reticulation assets.

4) Interest income

Interest income is recognised in the statement of comprehensive income as it accrues.

5) Rental income

Rental Income is recognised as part of sundry income within the statement of comprehensive income on a straight line basis over the course of the lease term.

6) Loss rental rebates

Revenue recognised over time:

Waipā Networks Limited recognises their allocation of Loss Rental Rebates as they accrue, which is over the time that the lines services are being provided. The Loss Rental Rebate is received from Transpower and represents the difference between the price and quantity of electricity generated and the price and quantity of electricity received.

2. Revenue *continued*

7) Discounts

Revenue discount recognised over time:

Waipā Networks pays discounts to its customers twice a year through their retailer electricity bill, however as the discount relates to a price adjustment to the lines revenue, it is recognised over the time period that the lines services are being provided. Discounts are calculated based on the electricity usage using discount allocation methodology. The final amount of the discount is determined by the Waipā Networks Board. In addition to the discounts, the Company distributes to customers the Loss Rental Rebates received for the period. Any discounts unpaid at year end are accrued.

	Note	2023 $	2022 $
Network line services		35,358,534	34,730,169
Contracting sales		2,141,799	2,202,028
Capital contributions	17	4,933,465	4,062,385
Embedded network		40,532	79,485
Sundry income		348,589	213,928
Loss rental rebates		1,654,776	833,780
Total revenue		**44,477,695**	**42,121,775**

		2023 $	2022 $
Revenue recognised over time			
Network line services		35,358,534	34,730,169
Contracting sales		178,339	288,028
Capital contributions	17	312,553	302,472
Embedded network		40,532	79,485
Sundry income		279,913	137,827
Loss rental rebates		1,654,776	833,780
Total revenue recognised over time		37,824,647	36,371,761
Revenue recognised at a point in time			
Contracting sales		1,963,460	1,914,000
Capital contributions	17	4,620,912	3,759,913
Sundry income		68,676	76,101
Total revenue recognised at a point in time		6,653,048	5,750,014
Total revenue		**44,477,695**	**42,121,775**

Revenue of $2,449,510 (2022 $1,702,772) was included in Capital Contributions in advance at the end of the previous financial year.

3. Operating expenses

	Note	2023 $	2022 $
Audit fees for these financial statements – KPMG		176,817	-
Audit fees for prior year financial statements – Audit NZ		-	73,940
Audit fees for disclosure financial statements – KPMG		31,500	-
Audit fees for prior year disclosure financial statements – Audit NZ		-	32,100
Audit fees for disclosure financial statements prior year – Audit NZ		9,800	4,500
Depreciation			
Buildings		43,223	28,523
Buildings fitout		71,355	66,772
Reticulation assets		4,002,234	3,819,049
Other electrical assets		120,785	114,238
Motor vehicles		573,419	414,431
Plant, furniture and fittings		384,755	265,493
Right of use assets		22,243	22,243
Amortisation of intangible assets		260,887	93,798
Transmission charges		8,657,099	8,298,042
Employee benefits	4		
Superannuation		237,674	196,391
Other employee benefits		8,377,635	7,293,130
Directors' fees		239,752	224,708
Materials and contractors		1,986,856	1,434,954
Inventories		787,825	748,486
Bad debts		27,618	120,091
Impairment of computer software		277,059	-
Change in provision for doubtful debts		123,000	(52,000)
Write off of inventory		85,563	-
Other expenses		4,599,914	4,161,877
Total expenses		**31,097,013**	**27,360,766**

4. Employee benefits

	2023 $	2022 $
Superannuation – defined contribution plans	237,674	196,391
Other employee benefits included in operating expenses	8,377,635	7,293,130
Other employee benefits capitalised to property, plant and equipment	686,295	589,967
Total employee benefits	**9,301,604**	**8,079,488**

5. Finance costs

	2023 $	2022 $
Interest expense		
Bank borrowings costs	233,436	48,991
Related party borrowings costs	183,900	143,646
Interest on lease liability	2,972	3,339
	420,308	**195,976**

6. Tax

The income tax on the profit or loss for the year includes both current and deferred tax. The income tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly to equity, in which case the income tax is recognised in equity.

Current tax is the expected tax payable on the taxable income for the period using tax rates enacted or substantively enacted at the balance date together with any adjustment to tax payable in respect of previous years.

Deferred tax is calculated using the Balance Sheet Liability method providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the balance date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

	2023 $	2022 $
Profit before tax	7,519,414	8,941,692
Tax at income tax rate of 28%	2,105,436	2,503,674
Tax effect of non assessable revenue	(432,631)	(973,266)
Tax effect of expenses that are non deductible	941,129	278,806
Tax expense	2,613,934	1,809,214
Adjustments previous years	(41,962)	-
Total tax expense	**2,571,972**	**1,809,214**
The tax charge comprises:		
Current tax	1,402,091	1,396,903
Deferred tax on temporary differences	1,169,881	412,311
Total tax expense	**2,571,972**	**1,809,214**

All temporary differences have been recorded in financial statements.

Imputation credits available for use in subsequent periods	27,163,780	26,947,832

7. Deferred tax liabilities

	2023 $	2022 $
Balance at 1 April	23,306,943	22,894,633
Deferred portion of current year tax expense	1,169,881	412,310
Balance at 31 March	**24,476,824**	**23,306,943**
The tax rate used in the above reconciliation is the corporate tax rate of 28% payable by corporate entities on taxable profits under New Zealand tax law.		
Deferred tax property, plant and equipment		
Balance at 1 April	23,507,062	23,455,345
Charged to statement of comprehensive income	934,049	51,717
Charged to equity	-	-
Balance at 31 March	**24,441,111**	**23,507,062**
Deferred tax employee entitlements		
Balance at 1 April	(179,095)	(171,547)
Charged to statement of comprehensive income	33,771	(7,548)
Charged to equity	-	-
Balance at 31 March	**(145,324)**	**(179,095)**
Deferred tax other		
Balance at 1 April	(21,024)	(389,165)
Charged to statement of comprehensive income	202,061	368,141
Charged to equity	-	-
Balance at 31 March	**181,037**	**(21,024)**
Deferred tax total		
Balance at 1 April	23,306,943	22,894,633
Charged to statement of comprehensive income	1,169,881	412,310
Charged to equity	-	-
Balance at 31 March	**24,476,824**	**23,306,943**

8. Share capital

Share capital consists of ordinary shares which are classified as equity. At 31 March 2023 the company has 7,200,000 (2022 7,200,000) fully paid issued shares. The shares have no par value. All shares carry equal voting rights and share in any surplus on winding up of the company equally. None of the shares carry fixed dividend rights.

Capital management

When managing capital, the board's objective is to ensure the Company continues as a going concern maintaining adequate working capital ensuring obligations can be met on time as well as to make returns to shareholders as set out in the Statement of Corporate Intent.

The Company manages its levels of debt and equity to maintain certain internal financial ratios.

Total capital includes the non-current and current assets of the Company which is equivalent to the equity and liabilities of the Company, amounting to $242.2 Million.

9. Cash and cash equivalents

Cash at bank and on hand	601,579	1,331,455
	601,579	**1,331,455**

Cash and cash equivalents comprise cash balances and deposits with maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows. The carrying amount for cash and cash equivalents equals the fair value.

10. Borrowings

	Note	2023 $	2022 $
Debt facility		6,940,000	4,050,000
Related party borrowings	22	3,000,000	3,000,000
		9,940,000	**7,050,000**

The Company continues to have access to a working capital facility of $10 million, which has a balance of $6.94 million at balance date (2022 $4.05 million).

	$	$
Net debt reconciliation		
Opening borrowings at 31 March	7,050,000	3,051,819
Drawdown of facility	2,890,000	4,050,000
Interest capitalised to related party borrowings	183,900	143,646
Repayment of related party borrowings	(183,900)	(195,465)
Closing borrowings at 31 March	**9,940,000**	**7,050,000**

The debt facility at year end relates to a multi option credit facility totalling $10 million (2022 $10 million). A facility fee rate is charged and the drawn balance is charged interest at a variable interest rate. The facility expires as follows:

Facility expiry date	Total facility
31 May 2025	10,000,000
	10,000,000

The Company has no financial convenant reporting requirements for the unsecured debt facilities.

The unsecured debt facilities become repayable on demand in the event the company fails to make interest and principal payments when they fall due. The company complied with all borrowing repayment obligations during the period.

The related party borrowings relate to a $3,000,000 (2022 $3,000,000) loan from Waipā Networks Trust. Interest is charged on the loan at 6.13% pa (2022 4.74% pa) and the loan has no predetermined settlement date. The loan is unsecured and the interest rates are as at balance date.

The amounts disclosed above are the undiscounted contracted cash flows.

The carrying amount for borrowings equals the fair value.

11. Trade and other receivables

	Note	2023 $	2022 $
Trade debtors		5,161,853	4,234,636
Provision for doubtful debts		(440,000)	(317,000)
		4,721,853	3,917,636
Prepayments		234,616	117,992
Other receivables		-	379,499
		4,956,469	**4,415,127**

Accounts receivables are stated at their expected realisable value after providing for doubtful debts. Bad debts are written off in the period they are identified.

Trade and other receivables are non-interest bearing and are normally settled on 30 day terms, therefore the carrying value of trade and other receivables approximate their fair value. In accordance with the Company's response to Credit Risk in note 18 Financial Instruments, a provision has been made for expected credit losses for the sale of goods and services determined by reference to past default experience and the current economic climate. In making this assessment, the Company considers electricity retailers and individual customers separately, recognising a difference in credit risk between the two groups.

The Company provides 100% for the collectability of significantly aged debt over 90 days due that is under management of debt collection agencies.

No allowance for expected credit losses for current to 60 days trade receivables has been applied due to a quantitatively immaterial risk of uncollectability. As such, the Company rebuts the presumption in NZ IFRS 9 that there is a significant increase in credit risk when financial assets are more than 30 days past due. The percentage of expected credit loss (ECL) allowances to trade debtors for 61-90 days is 30% (2022 30%) and for over 90 days is 100% (2022 100%) for debtors relating to car accidents and all other debtors over 90 days are accessed individually on the likelihood of receipt of payment. These percentages were applied to the GST exclusive amount of the balance.

As at 31 March 2023 the ageing analysis of trade receivables is as follows:

		2023		2022
	Gross $	Impairment $	Gross $	Impairment $
0 - 30 days	4,253,924	-	3,765,409	-
31 - 60 days	284,096	-	56,382	-
61 - 90 days	47,440	14,323	9,194	2,758
91 days plus	576,393	425,677	403,651	314,242
	5,161,853	**440,000**	**4,234,636**	**317,000**

Movements in the provision for doubtful debts:

	2023 $	2022 $
Balance as at 1 April	317,000	369,000
Additional provisions made during the year	123,000	-
Reversal of provision during the year	-	(52,000)
Balance as at 31 March	**440,000**	**317,000**

12. Inventories

Inventories are stated at the lower of weighted average cost and net realisable value.

Cost of work in progress and finished goods includes the cost of direct materials, direct labour and a proportion of the manufacturing overhead expended in putting the inventories in their present location and condition.

	2023 $	2022 $
Stock	2,760,755	2,215,855
Work in progress	96,249	67,393
	2,857,004	**2,283,248**

There was inventory write offs of $85,563 during the year due to the review of obsolete and excess stock completed prior to 31 March 2023 (2022 No inventory impairment or write offs).

13. Property, plant and equipment

Items of property plant and equipment are stated at cost less accumulated depreciation and impairment losses.

The cost of purchased property plant and equipment is 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 use.

The cost of the assets constructed by Waipā Networks, including capital works in progress, includes the cost of all materials used in construction, direct labour and other directly attributable costs, which have been incurred to bring the assets to the location and condition necessary for their intended use. Borrowing costs are capitalised in respect of qualifying assets which take three months or more to construct.

Certain items of property plant and equipment that had been revalued to fair value on or prior to 1 April 2006, the date of transition to NZIFRS, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Where parts of an item of property plant and equipment have different useful lives, they are accounted for as separate items of property plant and equipment.

Subsequent expenditure incurred to replace a component of an item of property plant and equipment, that extends the estimated life of the asset, is capitalised. All other expenditure is recognised in the statement of comprehensive income as an expense as incurred.

Depreciation

Depreciation is charged to the statement of comprehensive income on a straight-line basis so as to allocate the cost of the assets over the estimated useful lives of each part of an item of property plant and equipment. Land is not depreciated.

The range of annual depreciation rates for each classification of property plant and equipment is as follows;

Buildings	1% to 7%
Buildings fitout	1% to 10%
Reticulation system	1% to 3%
Other electrical	1% to 5%
Motor vehicles	6.5% to 20%
Computer equipment	10% to 50%
Plant, furniture and fittings	6.5% to 50%

Asset residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

13. Property, plant and equipment *continued*

	2023 $	2022 $
13.1 Freehold land		
Cost to 1 April	7,423,231	1,252,334
Current year additions	165,359	6,170,897
Cost to 31 March	7,588,589	7,423,231
13.2 Freehold buildings		
Cost to 1 April	3,793,429	2,804,237
Accumulated depreciation to 1 April	(327,791)	(299,268)
Net book value 1 April	3,465,638	2,504,969
Current year additions	5,895	989,192
Current year disposals	-	-
Current year depreciation	(43,233)	(28,523)
Cost to 31 March	3,799,324	3,793,429
Accumulated depreciation to 31 March	(371,014)	(327,791)
Net book value	3,428,310	3,465,638
13.3 Buildings fitout		
Cost to 1 April	3,252,795	3,229,822
Accumulated depreciation to 1 April	(2,441,183)	(2,374,412)
Net book value 1 April	811,612	855,410
Current year additions	84,726	22,974
Current year disposals	-	-
Current year depreciation	(71,306)	(66,772)
Cost to 31 March	3,337,521	3,252,795
Accumulated depreciation to 31 March	(2,512,489)	(2,441,183)
Net book value	825,032	811,612
13.4 Reticulation assets		
Cost to 1 April	177,849,046	170,683,864
Accumulated depreciation to 1 April	(47,019,325)	(43,218,665)
Net book value 1 April	130,829,721	127,465,199
Current year additions	10,885,385	7,199,833
Current year disposals	(42,195)	(16,262)
Current year depreciation	(4,002,234)	(3,819,049)
Cost to 31 March	188,652,426	177,849,046
Accumulated depreciation to 31 March	(50,981,750)	(47,019,325)
Net book value	137,670,676	130,829,721

13. Property, plant and equipment *continued*

	2023 $	2022 $
13.5 Other electrical assets		
Cost to 1 April	5,114,246	4,984,987
Accumulated depreciation to 1 April	(2,230,307)	(2,116,069)
Net book value 1 April	2,883,939	2,868,918
Current year additions	209,524	129,259
Current year disposals	-	-
Current year depreciation	(120,785)	(114,238)
Cost to 31 March	5,323,770	5,114,246
Accumulated depreciation to 31 March	(2,351,092)	(2,230,307)
Net book value	2,972,678	2,883,939
13.6 Motor vehicles		
Cost to 1 April	6,185,187	5,535,060
Accumulated depreciation to 1 April	(4,129,547)	(3,913,573)
Net book value 1 April	2,055,640	1,621,487
Current year additions	2,037,705	858,671
Current year disposals	(133,451)	(10,087)
Current year depreciation	(573,419)	(414,431)
Cost to 31 March	7,381,024	6,185,187
Accumulated depreciation to 31 March	(3,994,549)	(4,129,547)
Net book value	3,386,475	2,055,640
13.7 Plant, furniture and fittings		
Cost to 1 April	4,643,715	4,051,791
Accumulated depreciation to 1 April	(3,256,111)	(3,036,695)
Net book value 1 April	1,387,604	1,015,096
Current year additions	803,055	731,712
Current year disposals	(16,343)	(93,711)
Current year depreciation	(384,804)	(265,493)
Cost to 31 March	4,890,469	4,643,715
Accumulated depreciation to 31 March	(3,100,957)	(3,256,111)
Net book value	1,789,512	1,387,604
Total net book value	**157,661,272**	**148,857,385**
Capital work in progress in cost and net book value of reticulation assets	4,813,875	4,443,724

14. Right of use lease assets and liabilities

The Company has a small number of lease contracts. Rental contracts are typically made for fixed periods, but may have extension options as described below. Contracts may contain both lease and non-lease components. The Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. Lease terms are negotiated on an individual basis and contain a range of different terms and conditions.

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 payments 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 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 a similar economic environment with similar terms, security and conditions. To determine the incremental borrowing rate, the Company where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received.

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

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

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

Right-of-use assets are generally depreciated over the shorter of the asset's 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 asset's useful life.

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

14. Right of use lease assets and liabilities *continued*

	2023 $	2022 $
The Statement of Financial Position shows the following amounts relating to leases:		
Cost		
Opening balance at 1 April	177,942	177,942
Additions	-	-
Closing balance at 31 March	177,942	177,942
Accumulated depreciation		
Opening balance at 1 April	25,950	3,707
Depreciation	22,243	22,243
Closing balance at 31 March	48,193	25,950
Right of use lease assets		
Cost	177,942	177,942
Less accumulated depreciation	48,193	25,950
Net book value	**129,749**	**151,992**
Lease liabilities – current	20,285	19,014
Lease liabilities – non-current	117,934	138,219
	138,219	**157,233**

There were no additions to right of use assets during the year (2022 Nil).

During 2021 the Company entered into an agreement to lease land from a third party that enables the Company to complete operating activities in that area. The lease is effective for a term of at least 5 years, with three further rights of renewal of one year each. The Company has included all rights of renewal in determining the period of the lease term as the lease gives the Company the right to access a customer's premises for sale of services that are expect to be required until at least the end of the contractual lease period.

The right of use asset was initially measured at the net present value of future lease repayments over the lease term, discounted at a rate of 2% implicit in the lease. It is depreciated on a straight line basis over the lease term.

	2023 $	2022 $
Amounts recognised in the statement of profit or loss		
Depreciation charge of right-of-use assets	22,243	22,243
Finance cost	2,972	3,339
Expense relating to short-term leases, low value or variable lease costs	-	-
The total cash outflow for leases in the year	25,215	25,582

15. Intangible assets

Goodwill on acquisitions of businesses is included in 'intangible assets'. Goodwill is carried at cost less accumulated impairment losses. At balance date, the company assesses whether there is any indication that goodwill may be impaired. If any such indication exists, the company estimates the recoverable amount of the asset. Impairment losses on goodwill are not reversed. Goodwill is allocated to cash-generating units (CGUs) for the purpose of impairment testing. The allocation is made to those CGUs units that are expected to benefit from the synergies of the business combination.

Computer software assets are stated at cost less accumulated amortisation and impairment losses. Amortisation is charged to the statement of comprehensive income on a straight-line basis so as to allocate the cost of the assets over the estimated useful lives. The useful lives and associated amortisation rates have been estimated as follows;

Computer Software	5 -15 years

Acquired easement rights are capitalised on the basis of the direct costs incurred including injurious affection payments. Easements are deemed to have an indefinite useful life, as the contracts do not have a maturity date and the Company expects to use the easements indefinitely. Therefore, easements are not amortised. Where the rights have an expiration date, amortisation is charged to the statement of comprehensive income on a straight-line basis so as to allocate the cost of the assets over the useful life.

Annually, the Company assesses the risk of impairment on its intangible assets. Intangible assets form part of the Company single cash generating unit over which an impairment assessment has been made. Further information is included in Critical Accounting Estimates and Judgments. Intangibles with an indefinite useful life, easements, do not have an expiration date and provide access to land areas necessary for delivering network services now, and in the future. These assets are therefore assessed for impairment as part of the single cash generating unit assessment.

15. Intangible assets *continued*

	2023 $	2022 $
Software		
Cost to 1 April	3,204,225	1,322,880
Accumulated amortisation to 1 April	(548,163)	(454,365)
Net Book Value 1 April	2,656,062	868,515
Current year additions	2,190,539	1,881,345
Current year disposals	(268)	-
Current year impairment	(277,059)	-
Current year amortisation	(260,887)	(93,798)
Cost to 31 March	5,161,235	3,204,225
Accumulated amortisation to 31 March	(852,848)	(548,163)
Net book value	4,308,387	2,656,062
Goodwill		
Cost to 1 April	62,020	62,020
Accumulated impairment to 1 April	(62,020)	(62,020)
Net Book Value 1 April	-	-
Current year impairment	-	-
Cost to 31 March	62,020	62,020
Accumulated impairment to 31 March	(62,020)	(62,020)
Net book value	-	-
Easements		
Cost to 1 April	4,521,265	4,513,998
Net book value 1 April	4,521,265	4,513,998
Current year additions	-	7,267
Cost to 31 March	4,521,265	4,521,265
Net book value	4,521,265	4,521,265
Total net book value	**8,829,652**	**7,177,327**
Capital work in progress included in cost and net book amount	565,385	1,525,327

Capital work in progress relates to the ongoing development of IT Systems across finance and operational services, including network asset management and health and safety. The development of these assets generate benefit to support its carrying value through improvements in the quality, efficiency and effectiveness of our corporate services, network asset and people performance, ensuring the Company is fit for purpose and resilient to demands from future technological changes and compliance requirements. To assess capital WIP for the risk of impairment, the Company considered the realisation of intended benefit in the business case initially approved will still be achieved and does not present an indicator of impairment.

16. Trade and other payables

Trade payables and other accounts payable are recognised when the Company becomes obligated to make future payments resulting from the purchase of goods and services.

	2023 $	2022 $
Accounts payable and accruals – trade	4,162,945	3,439,990
Payables to related parties	-	-
	4,162,945	**3,439,990**

Accounts payable and accruals – trade, are non-interest bearing and are normally settled on 30 day terms, therefore the carrying value of trade and other payables approximate their fair value.

17. Capital contributions in advance

	2023 $	2022 $
Capital contributions recognised over time		
Balance as at 1 April	8,695,075	8,767,467
Less recognised as revenue in the current year	312,553	302,472
Balance remaining from 1 April	8,382,522	8,464,995
Contributions received in the current year	403,250	230,080
Balance as at 31 March	**8,785,772**	**8,695,075**
Current capital contributions in advance	312,553	302,472
Non current capital contributions in advance	8,473,219	8,392,603
Total capital contributions in advance	**8,785,772**	**8,695,075**

The revenue is recognised in the statement of comprehensive income as operating income over the projected useful life of the asset that the contribution was provided for, on a straight-line basis of up to 40 years.

Capital contributions recognised at a point in time		
Balance as at 1 April	4,911,437	2,871,684
Less recognised as revenue in the current year	2,449,510	1,702,772
Balance remaining from 1 April	2,461,927	1,168,912
Contributions received in the current year	4,222,725	3,742,525
Current capital contributions in advance as at 31 March	**6,684,652**	**4,911,437**
Total capital contributions in advance	**15,470,424**	**13,606,512**
Total capital contributions in advance		
Current capital contributions in advance	6,997,205	5,213,909
Non current capital contributions in advance		
Over 1 but less than 5 years	1,087,749	1,101,578
> 5 and < 10 years	1,291,992	1,291,992
> 10 and < 40 years	6,093,478	5,999,033
Total capital contributions in advance	**15,470,424**	**13,606,512**

18. Financial instruments

Financial assets

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income (OCI) or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. The Company classifies its financial assets as at amortised cost only if both of the following criteria are met: the asset is held within a business model whose objective is to collect the contractual cash flows, and the contractual terms give rise to cash flows that are solely payments of principal and interest. For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI.

Recognition and derecognition

The regular way purchases and sales of financial assets are recognised on trade date, being the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial liabilities

The Company classifies all financial liabilities as subsequently measured at amortised cost, except for financial liabilities at fair value through profit or loss. Such liabilities, including derivatives that are liabilities, shall be subsequently measured at fair value. The Company may, at initial recognition, irrevocably designate a financial liability as measured at fair value through profit or loss when permitted, or when doing so results in more relevant information. It has not made any such designation.

Recognition and derecognition

The Company recognises a financial liability in its statement of financial position when, and only when, the entity becomes party to the contractual provisions of the instrument. The Company removes a financial liability (or a part of a financial liability) from its statement of financial position when, and only when, it is extinguished—ie when the obligation specified in the contract is discharged or cancelled or expires. The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Measurement

At initial recognition, the Company measures financial liabilities at its fair value plus or minus, in the case of a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial liability.

18. Financial instruments *continued*

Financial instrument classification

	2023 At amortised cost $	2023 Fair value through profit or loss $	2022 At amortised cost $	2022 Fair value through profit or loss $
Financial assets				
Cash and cash equivalents	601,579	-	1,331,455	-
Investments	-	65,947,439	-	65,363,746
Trade and other receivables	4,956,469	-	4,035,628	379,499
Loans to shareholders	100,236		80,788	
Total financial assets	**5,658,284**	**65,947,439**	**5,447,871**	**65,743,245**
Financial liabilities				
Trade and other payables	4,162,945	-	3,439,990	-
Debt facility	6,940,000	-	4,050,000	-
Related party borrowings	3,000,000	-	3,000,000	-
Lease liabilities	138,219	-	157,233	-
Total financial liabilities	**14,241,164**	**-**	**10,647,223**	**-**

Fair value hierarchy

	Level 1 $	Level 2 $	Level 3 $
As at 31 March 2023			
Investments	-	65,947,439	-
As at 31 March 2022			
Investments	-	65,363,746	-

There has been no transfers between financial instrument categories or between assets on different levels of the fair value hierarchy in the current year, or the prior year.

The fair value of all financial instruments approximates the carrying value recorded in the Statement of Financial Position. Fair value of the derivative instruments is the cash flows attributable to the hedged risk.

Credit risk

Credit risk is the potential risk of financial loss arising from the failure of a customer or counterparty to settle its financial and contractual obligations to the Company, as and when they fall due. The credit risk attributable to receivables is managed and monitored on an ongoing basis via the Company's management reporting procedures and internal credit review procedures.

Trade and other receivables:

The Company recognises an allowance for Expected Credit Losses (ECLs) for all debt instruments not held at fair value. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL). For trade receivables the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

In the normal course of its business, Waipā Networks incurs a credit risk from trade receivables from customers. Waipā Networks' largest customer accounts for 19% (2022 was 16%) of total sales and 10% (2022 was 13%) of trade receivables at balance date for which a bank performance bond is held. There are no other significant concentrations of credit risk and Waipā Networks generally does not require any collateral.

The Company does not provide any financial guarantees which would expose the Company to credit risk.

Details of ageing and impairment of trade receivables are in note 11.

Cash and cash equivalents and investments:

The Company places its cash, short term deposits and investments with high credit quality financial institutions with a recognised credit rating of A- or better and limits the amount of credit exposure to any one institution, as set forth by the Board of Directors. While the Company may be subject to credit losses up to the contract amounts in the event of non-performance by other parties, it does not expect such losses to occur.

18. Financial instruments *continued*

Market risk

Price risk

The Company is exposed to price risk associated with the units invested through the its $66m managed fund investment.

Investments comprise a single managed fund portfolio. After initial recognition in accordance with the financial instruments policy above, the Company subsequently measures the managed fund portfolio at fair value. Distributions from the investment is recognised in profit or loss as other income when the Company's right to receive payments is established. The investment is measured at fair value through profit or loss as the Company manages the investment seeking capital returns above and beyond payments of purely principal and interest.

Fair value of investments is measured using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates, specifically the use of quoted market prices or dealer quotes for similar instruments. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. Changes in the fair value of financial assets at FVPL are recognised in gains/(losses) in the statement of profit or loss. The asset is categorised as being level 2 on the fair value hierarchy. Valuations for investments are provided by the investment manager and the Company does not have access to the underlying valuation models to fully disclose sensitivities.

Currency risk

The company enters into forward exchange contracts for any significant capital transaction conducted in currency other than the New Zealand dollar to eliminate the effects of any currency fluctuations, these are recognised when the transaction occurs. There are no currency hedges as at 31 March 2023 (2022 Nil).

Interest rate risk

Exposure to interest rate risk is summarised below. If the Company were to experience an interest rate rise of +1%, it would have the following impact on profit:

		2023		**2022**
	Carrying amount	**Profit**	**Carrying amount**	**Profit**
	$	**$**	**$**	**$**
Financial assets				
Cash and cash equivalents	601,579	6,016	1,331,455	13,315
Investments	65,947,439	562,078	65,363,746	560,902
Trade and other receivables	4,956,469	-	4,415,127	3,795
Loans to shareholders	100,236		80,788	
Financial liabilities				
Trade and other payables	4,162,945	-	3,439,990	-
Debt facility	6,940,000	(69,400)	4,050,000	(40,500)
Related party borrowings	3,000,000		3,000,000	-
Lease liabilities	138,219	134,146	157,233	151,817
Total Increase / (decrease)		**632,840**		**689,329**

The Company is most exposed to changes in the market interest rate relating to its third party debt obligations. The interest rate on Related Party borrowings is set at the Vanilla WACC cost of capital for EDBs as determined by the Commerce Commission so is not affected by market interest rate risk. The Company's policy is to manage third party borrowing interest rate risk by funding ongoing activities with short-term borrowings funded at fixed interest rates. The Company borrowings are drawn to fund ongoing operations and capital expenditure programmes.

Derivative financial instruments

As at the reporting date, the company had the following balance of variable rate borrowing in place:

	2023		2022	
	Interest Rate	$	Interest Rate	$
Bank Borrowings	6.11%	6,940,000	2.34%	4,050,000
Net exposure to cash flow interest rate		**6,940,000**		**4,050,000**

Liquidity risk

Liquidity risk is the risk that the Company may be unable to meet their financial obligations as they fall due. This risk is managed by maintaining sufficient cash and deposits together with access to committed credit facilities.

The Company's access to committed credit facilities is disclosed in note 10.

The Company's exposure to liquidity risk related to trade and other payables is disclosed in note 16.

The table below analyses the company's financial liabilities into relevant maturity groupings based on the remaining period at balance date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Year ended 31 March 2023	**< 1 year**	**1 - 5 years**	**> 5 years**	**Total Contractual cash flows**	**Carrying Amount**
Trade and other payables	4,162,945	-	-	4,164,383	4,164,383
Debt facility	6,940,000		-	6,940,000	6,940,000
Related party borrowings	3,000,000	-	-	3,000,000	3,000,000
Lease liabilities	22,865	100,979	23,029	146,873	138,219
	14,125,810	**100,979**	**23,029**	**14,251,256**	**14,242,602**

Year ended 31 March 2022	**< 1 year**	**1 - 5 years**	**> 5 years**	**Total Contractual cash flows**	**Carrying Amount**
Trade and other payables	3,439,990	-	-	3,439,990	3,439,990
Debt facility	4,050,000	-	-	4,050,000	4,050,000
Related party borrowings	3,000,000	-	-	3,000,000	3,000,000
Lease liabilities	21,986	97,010	49,863	168,859	157,233
	10,511,976	**97,010**	**49,863**	**10,658,849**	**10,647,223**

19. Employee entitlements

Obligations for contributions to defined contribution pension plans are recognised as an expense in the statement of comprehensive income as incurred.

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, sick leave and gratuities when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits expected to be settled within 12 months are measured as the amount unpaid at balance sheet date at current pay rates in respect of the employees' service up to that date.

Provisions made in respect of employee benefits not expected to be settled within 12 months are measured as the amount of future benefit that employees have earned in return for their service in the current and prior periods up to the balance sheet date. The obligation is calculated using the projected unit credit method and is discounted to its present value.

	2023 $	2022 $
Current employee entitlements	831,019	703,745
Non current employee entitlements	124,033	161,133
Total employee entitlements	**955,052**	**864,878**

20. Contingent assets

There are no contingent assets as at 31 March 2023 (2022 Nil).

21. Contingent liabilities and commitments

There are no contingent liabilities as at 31 March 2023 (2022 Nil).

There are commitments for future capital expenditure of $372,585 as at 31 March 2023 (2022 $1,651,237).

22. Related parties

At balance date, the Waipā Networks Trust held 100 per cent of the shares in Waipā Networks Limited.

As part of its everyday business the Company passes rebates to retail electricity users on its network. Directors and staff of the Company that are connected to the Company's network have received these rebates calculated on the same basis as other retail electricity user rebates.

Transactions with the group of companies that form the associate interest are related party transactions until the date the Company disposed of the investment on 30 September 2020. On that date, the loan from associate was repaid.

	2023 $	2022 $
Related party transactions with Waipā Networks Trust (parent)		
Interest expense (paid)	183,900	143,646
Borrowings	3,000,000	3,000,000
Loans to shareholder	100,236	80,788

Related Party transactions with Advance Security Ltd (a company associated with Mike Marr) of $61,699 (2022 Nil).

At balance date Waipā Networks committed $25,000 to consulting expenses with ASG Tech Ltd (a company associated with Mike Marr).

There are no other related party transactions

No related party debts were forgiven or written off during 2023 or 2022.

No Provision has been made in the accounts for payment of a final dividend to the Waipā Networks Trust (2022 Nil). No Interim dividends have been paid (2022 Nil).

	2023 $	2022 $
Remuneration of key management personnel		
Short term employee benefits	1,327,700	1,362,628
Termination benefits	10,000	195,000
Directors fees	239,752	224,708
	1,577,452	**1,782,336**

23. Events subsequent to balance date

The Directors authorised these financial statements for issue on 29 June 2023.

Subsequent to balance date, the directors have approved a special dividend of $2,363,000 to be paid to Waipā Networks Trust. Waipā Networks also repaid the $3m borrowings to the Waipā Networks Trust and Waipā Networks Trust repaid current lendings.

There have been no other significant events during the period since year end which have an impact on the information presented as at balance date.

24. Reconciliation of net profit to net cash flows from operating activities

	2023 $	2022 $
Reported profit after tax	4,947,442	7,132,478
Add (less) non cash items		
Depreciation	5,195,771	4,708,506
Depreciation right of use asset	22,243	22,243
Amortisation of intangible assets	260,887	93,798
Impairment of software	277,059	-
Increase in deferred tax	1,169,881	412,310
Increase (decrease) in term employee entitlements	(37,100)	(28,966)
	11,836,183	12,340,369
Add (less) movements in working capital items		
Decrease (increase) in income tax receivable	(252,722)	(1,077,240)
Decrease (increase) in trade and other receivables	(541,342)	63,461
Decrease (increase) in inventories	(573,756)	(549,687)
Increase (decrease) in trade and other payables	712,667	(45,033)
Increase in capital contributions	1,783,296	2,045,505
Increase in interest expense accrual	10,068	2,596
Increase in employee entitlements	127,274	50,913
	1,265,706	490,515
	13,101,888	12,830,884
Add (less) items classified as investing activities		
Net gain on disposal of property, plant and equipment	(91,918)	(4,352)
Gain on disposal of associate	(403,851)	(361,017)
Investment losses (gains)	(583,692)	908,659
Capital contributions	(6,821,502)	(6,107,890)
Decrease in prepayments	9,705	9,705
Capitalised interest receivable	3,348	1,253
	(7,887,910)	(5,553,642)
Add (less) items classified as financing activities		
Interest added to related party borrowings	-	-
	-	-
Net cash inflows from operating activities	**5,213,978**	**7,277,242**

25. Performance measures

Under Section 44 of the Energy Companies Act 1992, the Company is required to report its performance against targets set out in the Statement of Corporate Intent for the year. The performance of the business for the year ended 31 March 2023 is as follows:

- Target achieved for current year
- Target partially achieved for current year
- Target not achieved for current year

Financial performance

	Target	2023	2022
Profit before associate income, interest expense, and tax as a percentage of total assets	3.00%	3.27%	3.64%
Profit after tax as a percentage of equity	2.60%	2.65%	3.92%
Discounts paid to Customers ($m)	5.3	6.15	5.46

For the purpose of the SCI Discount a target estimated Transpower loss rental rebate of $500k was included. Actual loss rental rebate of $1,656k for 2023 (2022 $834k).

Ratio of equity to total assets	>55%	77.23%	78.99%

Network performance

	Target	2023	2022
SAIDI (average minutes per customer)			340
Planned	126.2	86.1	
Unplanned	109.3	168.4	

Historic reliability targets were set based on a 'moving average' plus one standard deviation principle – ranging between 130-180 minutes for unplanned components. We now adapt the DPP3 normalisation-based method which sets a fixed unplanned SAIDI limit of 109.3 minutes as new proxy target. This is a significant reduction in the target limit with the aim to incentivise and drive reliability improvements going forward.

FY23 unplanned SAIDI totalled to 168 minutes (post DPP3 normalisation) or 403 minutes (raw, with 227 minutes from Cyclone Gabrielle). This is an increase from FY22 unplanned SAIDI of 262 minutes (raw, with 114 minutes from Cyclone Dovi),

The increase in raw SAIDI (excluding cyclone events) was mainly contributed by several one-off vegetation and equipment related events compounded by long restoration. Reliability improvements requires a multi-faceted approach. Our 2023 AMP includes our updated Asset Management strategy and initiatives, defining our approach going forward to improve supply reliability going forward.

SAIFI (average interruptions per customer)			2.38
Planned	0.48	1.15	
Unplanned	1.73	1.87	

The SAIFI excursion correlates to the higher number of faults for FY23, and compounded by impact form Cyclone Gabrielle.

25. Performance measures *continued*

Definitions

SAIDI The system average interruption duration index – the total average number of minutes that electricity was lost per customer. No normalisation was performed for major event days.

SAIFI The system average interruption frequency index – the total average frequency of interruptions to electricity supply per customer. No normalisation was performed for major event days.

Successive interruptions greater than one minute within an event are treated as new interruptions. In circumstances where multiple interruptions occur as a result of a single initiating event, e.g. interruptions for fault finding; we count each interruption separately. This is consistent with the interpretation used in the prior year.

Customer, community and environment

As we are a community owned entity we have included new measures that focus on how we connect and provide for stakeholders and how we monitor our overall impact on the environment.

Network resilience (GXP)	Site secured. Concept design completed.	Notice of requirement lodged. Contract for construction signed Commissioning planned Dec 2024.	Detail design commences FY25. Detailed design commences FY25.
Deliver a community energy project	Deliver Ecobulb campaign.	In partnership with Ecobulb, we distributed 65,000 LED light bulbs across our communities. The light bulbs were directly distributed via schools and charities followed by events in Cambridge and Te Awamutu.	N/A
Climate impact	Deliver a dashboard of sustainable targets.	Our sustainability programme is currently in development. We have defined three sustainability themes: Community, Environment and Culture. During FY24 a programme of initiatives will be identified across these themes. Key references such as the KPMG Sustainability Maturity Matrix, the UN Sustainability Development Goals and other New Zealand Businesses with advanced sustainability programmes are considered when identifying and developing our themes and initiatives.	N/A
Customer satisfaction	55%	58%	55%

We have improved our customer satisfaction result from FY22.

People

We have expanded our people measures and aligned our focus towards our critical risks to ensure that our Health & Safety system is producing the right outcomes to achieve our mantra of everyone home safe, everyday.

	Target	2023	2022
Nil serious harm injuries ^	0	0	0
Reporting of Health & Safety events in Assura increases year on year	10%	21%	116

Based on "events" or incidents reported.

^ Serious harm is defined as a notifiable event under the Health and Safety at Work Act guidelines published by WorkSafe NZ.


WAIPĀ
NETWORKS

INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF WAIPĀ NETWORKS LIMITED'S FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 31 MARCH 2023

The Auditor-General is the auditor of Waipā Networks Limited (collectively referred to as 'the Company'). The Auditor-General has appointed me, Glenn Keaney, using the staff and resources of KPMG, to carry out the audit of the financial statements and the performance information of the Company on his behalf.

Opinion

We have audited:

- the financial statements of the Company on pages 16 to 48, that comprise the statement of financial position as at 31 March 2023, the statement of comprehensive income, statement of movements in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information.

In our opinion:

- the financial statements of the Company:
  - present fairly, in all material respects:
    - its financial position as at 31 March 2023; 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; 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 2023.

Our audit was completed on 29 June 2023. 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 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 the Board of Directors intends to liquidate the Company or to cease operations or has 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.

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 accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- We evaluate the appropriateness of the reported performance information within the Company's framework for reporting its performance.
- 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 obtain sufficient appropriate audit evidence regarding the financial statements and the performance information of the entities or business activities within the Company to express an opinion on the consolidated financial statements and the consolidated performance information. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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.

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 (including International Independence Standards) (New Zealand) (PES 1)* issued by the New Zealand Auditing and Assurance Standards Board.

In addition to the audit, we have carried out an assurance engagement pursuant to the Electricity

Distribution Information Disclosure Determination 2012 - (Amended as of 9 December 2021), which is

compatible with those independence requirements. Other than the audit and the assurance

engagement, we have no relationship with or interests in the Company.

LG Keaney

Glenn Keaney
KPMG
On behalf of the Auditor-General
Tauranga, New Zealand

DIRECTORS' REPORT & STATUTORY INFORMATION

OWNERSHIP

Waipā Networks Ltd was established in April 1993 and is wholly owned by the Waipā Networks Trust.

Principal activities

The principal activity of the Company is the distribution of electricity.

The electricity distribution network and all other assets continue to be well maintained and are in good condition.

DURING THE YEAR

Mike Marr and Mark Stuart retired by rotation and being eligible offered themselves for re-election.

The following director appointments were made on 30 June 2022 by shareholder resolution as a minute book entry in lieu of meeting, per section 122 of the Companies Act 1993.

Mike Marr and Mark Stuart were re-elected to the Board.

At the forthcoming 2023 Shareholders meeting:

Jennifer Kerr and Jonathan Cameron will retire by rotation on being eligible, will offer themselves for re-election.

Directors remuneration

Directors' fees paid during the year were as follows:

Current Directors	$
J Kay	69,774
M Stuart	40,703
M Marr	51,167
J Cameron*	37,405
J Kerr	40,703

**$3,298 was unpaid as at 31 March 2023.*

DIRECTORS' INTERESTS

Closed Interests

Person	Organisation	Nature of interest	Date Notified	Date Closed
Jonathan Kay	Lightforce	Director	1 Mar 2022	16 Dec 2022
Mark Stuart	Dawn Aerospace Ltd	Director, Beneficial interest	11 Nov 2022	29 Mar 2023
Mike Marr	TPT Group Holdings (NZ) Ltd & Subsidiaries: § NZ Technology Accelerator Limited	Non-executive Director and Shareholder	11 Nov 2022	25 May 2023

Active Interests

Person	Organisation	Active interests
Audrey Scheurich	Waikato Community Hospice Foundation	Trustee
	Hospice Waikato Trust	Trustee
Dave Rodgers	CDR Construction	Director
	MFME Ltd	Chair
Jennifer Kerr	Callaghan Innovation	Board Member
	Eke Panuku Development Auckland	Director
	JR Kerr Trust	Trustee
	Kupe Scholarship Advisory Board	Member
	Management School at the University of Waikato	Business Advisory Board
	New Zealand Police Assurance & Risk Committee	Member
	Ngati Mutunga and Ngati Tama	Registered Iwi Member
	NZTE	Chair
	Taranaki Whanui ki te Upoki if te Ika (Port Nicholson Block Settlement) Trust	Registered Member
	University of Waikato	Masters Student
	Worksafe New Zealand Board	Chair
Jonathan Cameron	Elevate Capital Partners Limited	Director and Shareholder
	I.D.A.ShonCo Limited	Director and Shareholder
	NZFM (2022) General Partner Limited	Director
	Tourism Investment Partners Limited	Director and Shareholder
	Tupu Angitu Limited (subsidiary of Lake Taupo Forest Trust)	Director
	Veterinary Enterprises Group Limited	Director
Jonathan Kay	Lone Wolf Enterprises Ltd	Director and Shareholder
	Network Waitaki	Director
	Whitestone Contracting	Director

Directors' Interests continued

Person	Organisation	Active interests
Mark Stuart	Alimetry Ltd	Director, Beneficial interest
	Archgola Ltd	Chair
	Fencing Systems (NZ) Ltd	Director
	Industrial Tube Manufacturing Ltd	Chair
	ITM Brisbane Holdings Ltd	Director
	Miruku Ltd	Director, Beneficial interest
	Movac Fund 3 LP	Limited Partner
	Movac Fund 3 side Car LP	Limited Partner
	Movac Fund 4 Custodial Limited	Director and Shareholder
	Movac Fund 4 General Partner Limited	Director and Shareholder
	Movac Fund 4 LP	Limited Partner
	Movac Fund 4 Partners LP	Limited Partner
	Movac Fund 5 Custodial Limited	Director, Beneficial interest
	Movac Fund 5 General Partner Limited	Director, Beneficial interest
	Movac Fund 5 LP - Evnex Limited	Limited Partner
	Movac Fund 5 Partners LP	Limited Partner
	Movac Growth Fund 6 Custodial Limited	Director and Trustee
	Movac Growth Limited	Director and Shareholder
	Movac Limited	Director and Shareholder
	Movac MYIA Investments Limited	Director, Beneficial interest
	Movac Open Investment Limited	Director, Beneficial interest
	Movac Solve Investment Limited	Director, Beneficial interest
	Ngai Tahu Side Car (Movac) LP	Beneficial interest
	NZSF Side Car (Movac) LP	Beneficial interest
	Park Help International Limited	Chair, Beneficial interest
	Park Help Limited	Chair, Beneficial interest
	Park Help Solutions (incorporated in Spain)	Director, Beneficial interest
	Park Help Technologies Limited	Chair, Beneficial interest
	Pencarrow Limited	Director and Shareholder
	Portainer Ltd	Director, Beneficial interest
	Tectrax ltd	Director, Beneficial interest
	TGF Holdings Ltd	Chair
	United Nominees Limited	Shareholder
	ZeroJet	Director, Beneficial interest

Person	Organisation	Active interests
Mike Marr	Counties Energy Trust	Elected Trustee
	Flok Limited (jointly owned by TPT Group, KiwiRail & Spark)	Shareholder (via TPT Group)
	Innovation Franklin Charitable Trust	Board Member/Chair
	NEO Corporation	Shareholder, Non-executive Director
	Rhema Media	Chair
	The Runway Foundation (Charitable Trust)	Trustee
	The Promise Trust – Trust 1	Trustee, Beneficiary
	The Promise Trust – Trust 2	Trustee, Beneficiary
	The Promise Trust – Investment Trust 3	Trustee, Beneficiary
	TPT Family Office Limited	Shareholder Exec Director/Chair
	TPT Group Holdings (Australia) Ltd & Subsidiaries: SG Australia (Pty) Limited	Non Executive Director
	TPT Group Holdings (NZ) & Subsidiaries	
	Trade Rentals (NZ) Limited	Non-executive Director and Shareholder
	Acquistion 15 TPT Limited	Non-executive Director and Shareholder
	Acquistion 16 TPT Limited	Non-executive Director and Shareholder
	VigilAir Limited	Non-executive Director and Shareholder
	Advanced Group (NZ) Limited	Non-executive Director and Shareholder
	Advanced Security Group (NZ) Limited	Non-executive Director and Shareholder
	Advanced Security Group (Sth Is) Limited	Non-executive Director and Shareholder
	Advanced Security Group (Wgtn) Limited	Non-executive Director and Shareholder
	Advanced Security Group (Wkto) Limited	Non-executive Director and Shareholder
	Advanced Security Group Limited	Non-executive Director and Shareholder
	ASG Technologies Limited	Non-executive Director and Shareholder
	ASGSPL Limited	Non-executive Director and Shareholder
	CableNet Limited	Non-executive Director and Shareholder
	Concord Security Limited	Non-executive Director and Shareholder
	Customised Wireless Networks Limited	Non-executive Director and Shareholder
	IT Engine Limited	Non-executive Director and Shareholder
	New Zealand Security Group Limited	Non-executive Director and Shareholder
	Promessa Commercial No.2 Limited	Non-executive Director and Shareholder
	Promessa Property Group Limited	Non-executive Director and Shareholder
	Promessa Residential Limited	Non-executive Director and Shareholder
	Technology Leasing (NZ) Limited	Non-executive Director and Shareholder
	Terese Marr Music Limited	Non-executive Director and Shareholder
	TPT Group Investment Fund Limited	Non-executive Director and Shareholder
Sean Horgan	Electricity Networks Aotearoa	Board Member
	Horgan Family Trust	Trustee
	Power Credits Governance Committee	Committee Member
	UDL Energy Advisory Committee	Member
Weihao Zhou	YANZ Family Trust	Trustee

DIRECTORS' INSURANCE

Directors Insurance protects directors and officers (managers in senior positions) against allegations of committing wrongful acts in their role as a director or officer. This policy also covers legal expenses the company/director may incur in defending claims.

The Company also purchased Statutory Liability Insurance that covers fines, penalties (except in the case of the Health & Safety at Work Act 2015) and reparation imposed by the courts for unintentional breaches of most laws in New Zealand, the policy also covers the legal cost of investigation and defending claims.

Together these policies generally ensure the Directors and Employees will not suffer any monetary loss as a result of actions undertaken by them in their capacity as Directors or Employees of Waipā Networks.

USE OF COMPANY INFORMATION

During the year the Board received no notices from Directors of the Company requesting to use Company information received in their capacity as Directors that would not otherwise have been available to them.

For and on behalf of the Board:

Jonathan Kay
Chair
Waipā Networks

BOARD OF DIRECTORS

Jonathan Kay
Chair

Mike Marr
Deputy Chair

Mark Stuart
Director

Jonathan Cameron
Director

Jennifer Kerr
Director

SENIOR LEADERSHIP TEAM

Sean Horgan
Chief Executive Officer

Audrey Scheurich
Head of Finance & Commercial

Anna Greenhill
Head of Customer & Community Engagement

Weihao Zhou
Head of Network

Dave Rodgers
Head of Operations

Leah Guest
Head of People Safety & Wellbeing

Michelle Walker
Board Secretary

DIRECTORY

Board of Directors

Jonathan Kay – Chair

Mike Marr – Deputy Chair

Mark Stuart

Jonathan Cameron

Jennifer Kerr

Board Subcommittees

Finance, Audit & Investment

J Cameron – Chair

M Marr

J Kay

M Stuart

People, Safety & Wellbeing

J Kerr – Chair

M Marr

J Kay

Information Services Strategic Plan

M Marr – Chair

M Stuart

J Kay

Risk & Asset Management

J Kay – Chair

J Kerr

J Cameron

Management

Marcel Manders
(resigned 13 May 2022)
Interim Chief Executive Officer

Sean Horgan
(from 11 July 2022)
Chief Executive Officer

Audrey Scheurich
(from 19 September 2022)
Head of Finance & Commercial

Anna Greenhill
(from 08 August 2022)
Head of Customer & Community Engagement

Weihao Zhou
Head of Network

Dave Rodgers
Head of Operations

Leah Guest
(Acting CEO 13 May – 16 July 2022)
Head of People Safety & Wellbeing

Registered Office

240 Harrison Drive
PO Box 505
Te Awamutu 3840

Telephone: 07 872 0745

Email: info@waipanetworks.co.nz

Website: waipanetworks.co.nz

Bankers

Westpac Banking Corporation
Te Awamutu

Solicitors

Tompkins Wake
Chapman Tripp

Auditors

KPMG


1781
NETWORKS

WAIPĀ NETWORKS

240 Harrison Drive, Te Awamutu, 3800

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