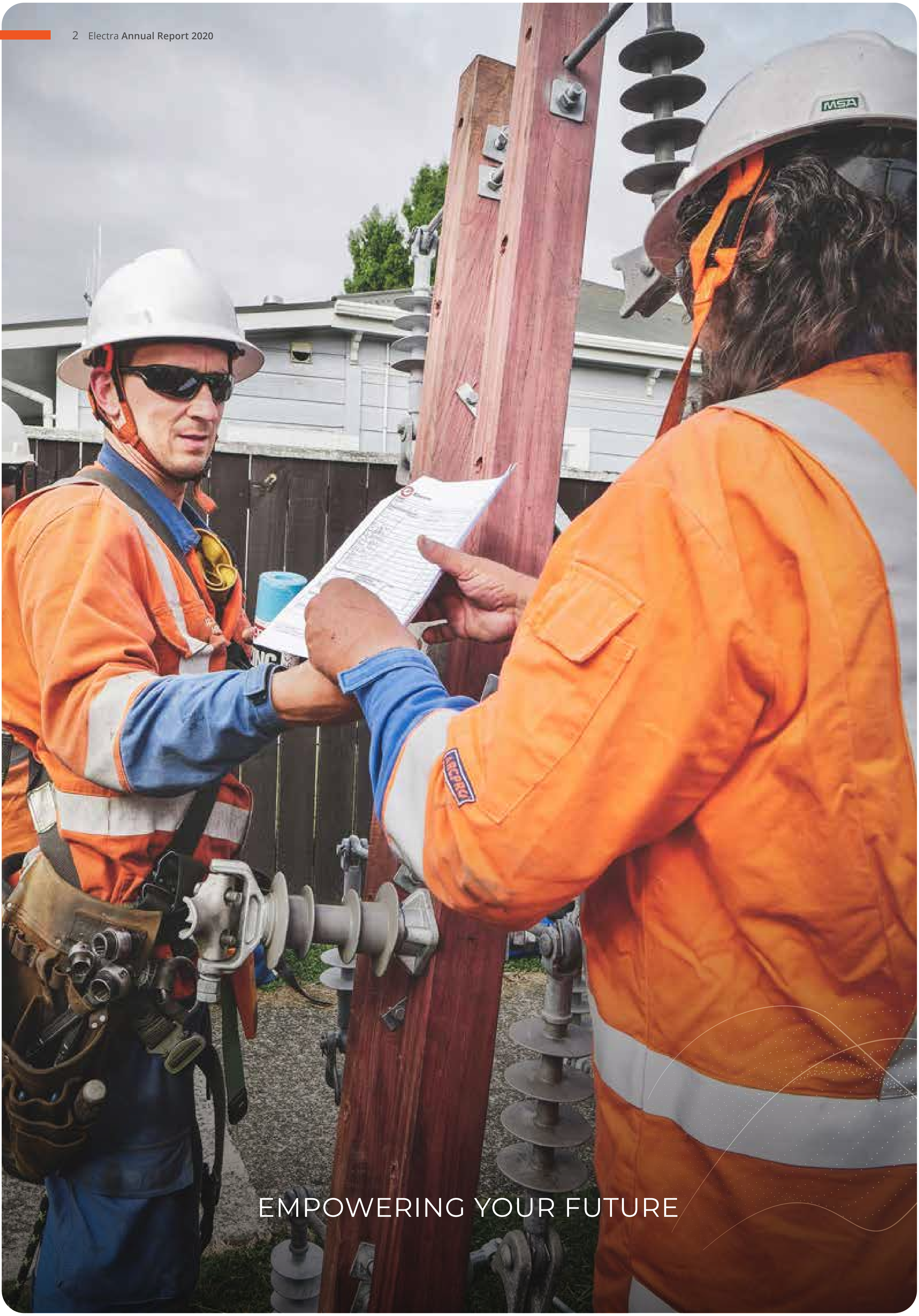
Electra

EMPOWERING YOUR FUTURE

ANNUAL REPORT

For the year ended 31 March 2020


MSA
EMPOWERING YOUR FUTURE

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LIVING OUR VALUES

We are committed to our values which are:

Safety

Safety guides everything we do

- Safety is never compromised
- We all demonstrate leadership and commitment to safety every day

Respect

We treat our customers and colleagues as they would want to be treated

- We behave respectfully towards our customers, colleagues and stakeholders regardless of role and level of responsibility
- We act in a way that respects the different experiences and perspectives of others
- We act in ways that encourage others to respect us

Professional

Our people have the knowledge, skills and ethics to perform their role at a consistently high standard

- We plan our work and work to our plan
- We know our jobs and we are good at what we do
- We represent Electra in a positive, professional manner
- We keep our customers and stakeholders informed
- We are actively engaged in personal and professional development

Accountable

We account for and accept responsibility for our activities

- We are each accountable for our work, our conduct and our decisions
- Every team member contributes to our success
- We are efficient and safe with our use of time and resources

Integrity

We always do the right thing in all circumstances, no matter what the consequences will be

- We are honest and straight-forward with each other
- We develop and maintain effective relationships with customers, colleagues and stakeholders
- We work together as a team

PERFORMING

EMPOWERING YOUR FUTURE

THE ELECTRA GROUP

Established in 1922 as an electricity network business based in the Horowhenua region, today the Electra Group owns, operates and invests in a portfolio of infrastructure and technology-driven businesses with a nationwide footprint.

The Group is focused on delivering a range of products and services that contribute to the Group's overall financial performance and the value we are able to provide to our owners - the consumers connected to the Electra network. We are also committed to supporting regional growth and the wellbeing of the communities we serve.

The Electra Group is made up of the following businesses:

ELECTRA LIMITED

an electricity network company, based in Levin with a branch in Paraparaumu, employing 113 people.

ELECTRA SERVICES LIMITED

a medical alarm and security monitoring business as well as call centre business based in Levin, employing 61 people.

ELECTRA GENERATION

an electricity generation business based in Papakura, Auckland, employing 1 person.

CONNECT 8

a joint venture with Spark that has created New Zealand's premier construction contractor for the water, power and telecommunications sectors.

QUAIL RIDGE COUNTRY CLUB

a joint venture in an established and well run retirement village in Kerikeri in the Far North (acquired May 2020).

POWERING OUR REGION'S GROWTH

OUR REGION

Electra is the electricity network owner and operator in the Kapiti and Horowhenua regions on the west coast of the lower North Island, New Zealand. Our consumers stretch from Foxton and Tokomaru in the north to Paekakariki in the south. We are one of 29 network companies in New Zealand, and the 9th largest network in terms of total connections.

WE LOOK AFTER

10 substations

45,366 electricity consumers

2,323km in circuits

21,685 poles

IN ONE OF NEW ZEALAND'S FASTEST GROWING REGIONS

Major infrastructure projects such as the Kapiti Expressway and Transmission Gully roading projects continue to stimulate regional growth and create economic opportunities. Having lagged Kapiti for a number of years, the Horowhenua region is beginning to emerge as a strong performer with most economic indicators outperforming the national average in the year ended 31 December 2019[1].

118,500

the forecast population of the Kapiti and Horowhenua region by 2043[2] (currently estimated to be 91,000)

2,201

new residential building consents issued in our region over the last five years (2015-2019), with 433 issued in 2019.

379

new connections to the network this year.

1. Infometrics Economic Monitor, December 2019 2. Statistics NZ forecast

SUPPORTING THE LOCAL ECONOMY

100% consumer owned

175 staff employed across the Electra Group including wholly owned subsidiaries

$16.5M annually spent directly supporting local people and businesses

$46.4M in total Group revenue

$205M in sales discounts (incl. GST) issued to electricity consumers over the last 27 years

KEEPING PRICING COMPETITIVE

$9.2M in sales discounts (incl. GST) issued to our consumers in 2020

19 electricity retailers operating on our network ensure strong electricity price competition

Special 'time of use' and 'low user' network charges designed to create fairer pricing for our consumers.

We are regulated by

New Zealand's electricity market (NZEM) is regulated by the Electricity Industry Participation Code administered by the Electricity Authority (EA), an independent Crown Entity.
Suppliers of electricity lines services are subject to regulatory provisions under the Commerce Act 1986.
As a 'consumer-owned' network company we are exempt from the default/customised price-quality regulation under Part 4 of the Commerce Act 1986.

CHAIR REPORT

It is my pleasure to present the Annual Report for the Electra Group for the year ended 31 March 2020.

The report tells the story of our people, activities and the outcomes of the businesses within the Group over a twelve-month period.

DELIVERING RESULTS IN A CHALLENGING YEAR

I am pleased and proud that our core network business continues to deliver to a high standard for our consumers and owners. We have made significant gains in health and safety culture, delivered key projects to build resiliency and strength in the network, maintained excellent standards of outage frequency and duration, maintained pricing levels and still delivered the expected discount of $9.2m to all consumers, all while continuing to support our community, look after our staff and look to the future.

While the Network business reported a positive result, the performance of our subsidiaries and joint venture investments impacted the overall outcome. Various external factors, political, regulatory and market, have challenged all subsidiaries and investments in some way this year. The Group ended the year with an after-tax loss of $2.7m however due to the revaluation of the network, shareholder funds increased by over 12% to $163.3m at 31 March 2020.

While our joint venture with Spark (Connect 8) was impacted by a sluggish contracting market and one particularly difficult contract outcome, the 2021 year looks more promising, with some significant infrastructure projects underway, additional Covid 19 related work, and a government agenda to spend on "shovel ready" projects.

We have continued to invest in Electra Services Limited (trading as Securely) over the past year. With the foundation of the business now set, our focus will be on revenue growth in the coming year. Electra Services is well placed to deliver on its objective to build long term value for our shareholders. The underlying business outlook remains positive, it is ready to scale and is operating in a growing market for its current and future products and services.

Growth, and building increased value for our shareholders remains a focus. Significant value increase in the network mentioned above reflects our continued investment in it. The Board continued to seek opportunities to add to the Group portfolio of investments in the 2019/2020 year. Some smaller acquisitions occurred within Electra Services as part of its own growth strategy, and an investment in the aged care/retirement sector was settled post 31 March. Other opportunities continue to be investigated, albeit with a new future in front of us.

Despite a difficult year, the Group's balance sheet remains strong and significant opportunities exist to deliver greater value for the business, and the customers and communities we serve.

OUR STRENGTH IS OUR PEOPLE

As this report is being prepared we are operating in Alert level 1 and have experienced the disruption and upheaval of "lockdown" brought about by Covid-19. We have seen the immediate impact it caused, it changed the way we live, and work and it has created significant uncertainty worldwide.

It brings home to me that we are not an organisation of poles, wires, alarm panels, generators and high-tech equipment but one of people. Every person in the Group has been impacted and everyone has responded to the change and challenge. Work practices and work places changed dramatically within a few days as our teams entered lockdown and all that entailed. As an essential service the team carried on in the face of uncertainty to ensure we delivered to our customers the service they expect of us. I have been extremely proud of the efforts of everyone at Electra over this time.

I have been privileged to work closely with a team of senior leaders and Directors committed to the success of Electra. There has been no shortage of dedication and hard work in 2019/2020.

My tenure as Chair began in July 2019 with the retirement of the then Chair, Neil Mackay. Neil was a Director for twelve years and Chair for three. I wish to thank both Neil and the other retiring Director, John Boshier, for their service to Electra. The Group benefited hugely from their experience and knowledge. At the same time, we welcomed new Directors, Steve Armstrong and Scott Houston. Both are excellent additions to our Board and have brought with them new perspectives and skill. I thank Steve, Scott, Chris Dyhrberg and Mike Underhill for continuing to perform their roles to a very high standard and for their invaluable oversight and guidance to the governance and strategic direction of the Electra Group.

Sadly, we also lost a respected and valued member of the Board with the passing of Alan McCauley in December following a short illness. Alan was a member of the Electra Board for 3 ½ years and made an impact with his knowledge and experience. Courageous and caring, he will be missed by those who knew him.

On behalf of the Board I thank Electra's Chief Executive Neil Simmonds and his Senior Leadership Team for their considerable efforts this year. It has been a particularly busy year as we continue to implement our growth strategy while maintaining focus on delivering excellent value and customer service.

Alongside the Senior Leadership Team, the continued commitment and contribution of staff from across the Electra Group has been a major factor in the progress we have achieved this year.

We also continue to enjoy a positive and collaborative working relationship with the Electra Trustees who play an important role in contributing to the Group's overall success. I look forward to continuing to work closely with the Trust over the coming year.

2020/2021 AND BEYOND

We believe that the success of our region depends on strong business, that business growth drives regional growth and creates opportunities for everyone. As a critical infrastructure provider and a large local employer, our own activity and growth is a significant contributor to the regional economy. Our performance affects everyone in our region every day – this puts us in a position of privilege and responsibility.

Our priority is to focus on delivering a safe and reliable electricity supply to everyone connected to our network, with the flexibility and capacity to meet both current and future demand and needs.

Our ability to generate significant additional revenue from this core asset is extremely limited though - even more so with the regulatory environment placing downward pressure on network pricing and allowable returns. The government's focus on reducing electricity distribution costs will negatively impact future revenue from the network and the level of sales discount we can return to the consumers connected to the network.

That is why, alongside our core business, we are also investing in complementary business opportunities that are aligned to our strategic priorities and offer significant growth potential for our business.

A number of headwinds will challenge Group performance over the coming year, the regulatory environment and the effects of the Covid-19 pandemic are expected to place pressure on operational performance and revenue.

The Electra Group remains in great shape despite the difficult year we've had and is ready to face the challenges ahead. The underlying performance of our core network business, the changes we are implementing within our subsidiary businesses and the growth strategy we are undertaking are all indicators that the Group is well positioned to navigate our path through 2020 and beyond.

Shelly Mitchell-Jenkins
Chair

"We are not an organisation of poles, wires, alarm panels, generators and high-tech equipment but one of people."

CHIEF EXECUTIVE REPORT

"We are committed to continuing to deliver a high quality network service to our region."

Mauri mahi, mauri ora; mauri noho, mauri mate

LOOKING BACK

Electra continues to maintain its strong financial position, holding and developing quality assets and subsidiary businesses to enable long term value growth for our consumer owners. This last year has seen a solid financial and engineering performance from the core network business, with the overall Group loss of $2.7m impacted by challenges within subsidiaries and joint venture investments. The achievement of revenue targets was significantly affected by the extended shutdown of the Pohukura gasfield and contractual difficulties encountered by Connect 8. Electra Services continued to invest in developing its sales strategies and business systems.

The quality of assets held within the Group continues to develop, resulting in business unit revaluations that sees net equity increasing by $18.5m for the year ended 31 March 2020.

Core network performance means we have maintained the sales discount, returning $9.2M to our line's customers in 2020. Reflecting changes being imposed on regulated lines' companies and Transpower, we recently announced a reduction in our network pricing of approximately 5% for the coming year.

PRIMED FOR GROWTH

Sustained regional growth, transport electrification and the decarbonisation of the New Zealand economy pose ongoing challenges, and opportunities, for our network. We must invest in both traditional infrastructure assets and smart technology to meet these challenges. At present it is impossible to tell how much Covid-19 will delay this growth.

We will ensure we have the right pricing, products and services in place to meet the rapidly changing needs of energy users, particularly as demand grows for disruptive technologies such as electric vehicles (EVs), solar photovoltaics and battery storage.

We are committed to continuing to deliver a high-quality network service to our region and plan to invest more than $114 million in our network over the next 10 years. Our Asset Management Plan (AMP) 2020 sets out our asset management strategies and investment plans for the next 10 years, and clearly establishes the linkages between the AMP and the Group's wider corporate strategies.

Electra Services Limited has made steady progress in consolidating security businesses across the lower North Island, acquiring Horowhenua Security on 1 March and merging it with the existing Securely business. At least one additional security business will be acquired in the 2021 financial year. We are focused on achieving significant revenue growth through our Pharmacy Guild, B2B and Government channels.

Our 50% owned subsidiary Connect 8 delivered major upgrades to the Spark mobile network in time for the Rugby World Cup. Subsequent to our balance date, it has started on a large fibreoptic cable laying project at Kaikoura and a very large mobile roll-out for Spark. It looks to have strong revenues for more than the next two years in place.

We have now added a second joint venture to the Group's portfolio with a 49.9% stake in the Quail Ridge Country Club – an established and well-run retirement village at Kerikeri in the Far North.

This investment not only allows us to enter the growing and profitable aged care market, it will also give us the opportunity to deliver added value to the Country Club and residents through our market leading monitoring and response services.

Aged care and the provision of services that allow the elderly to continue to live safely in their homes for longer has appeal for individuals, families and social agencies alike. The Covid-19 pandemic has increased the awareness of this issue further as families worry about the ongoing health and wellbeing of elderly relatives.

Over the course of the year we have continued to strengthen several key partnerships, particularly in the area of public health and wellbeing. We were active participants in the government's Senior Wellness Project, collaborating with GovTech and several government agencies to determine whether technology can enable people to retain their independence for longer. This project identified a substantial public benefit exists from allowing New Zealand's elderly population to remain in their homes for longer by using technology to provide earlier and better intervention for injury prevention.

The large investment we have made in bringing the Essence technology platform to New Zealand and the current high level of new customer connection, means Electra Services is well positioned to become a major player in this market.

OUR PEOPLE REMAIN OUR GREATEST ASSET

It has been a busy year for our people as we implement many changes across the Group – from new acquisitions to large scale systems implementations and integrations to improvements to the way we operate – their continued support and positive approach has seen us make significant progress and gains throughout our business.

At the heart of our business is a commitment to health and safety. Keeping the public and our people safe is our greatest priority and we continue to implement a continuous improvement process that will help us to achieve our zero-harm target. This has been a 'whole team' effort.

We will continue to invest in our people and systems.

I would like to thank all our people for accepting shared responsibility in this aspect of our business and working together to ensure we can all go home safe and well at the end of each day.

CREATING A TECHNOLOGY-LED BUSINESS

Technology is a critical enabler for the Group, both in terms of performance optimisation and cost minimisation.

We continue to invest in smart network technologies that allow the network to communicate and respond with itself, particularly with respect to faults and their management, and in systems that improve our operations and deliver greater service to our customers.

Our network asset management system is at the heart of our business. We recently had Covaris, a leading Australasian infrastructure consultancy, do an in-depth study on our lines business. They found "Electra is a competent asset management organisation with significant strengths and a mature focus on continual improvement." We used them to identify 6 areas we can improve to be truly world class. We launched a $1.5m multi-year project to upgrade our existing asset management system and integrate it with our other operational and finance systems. This is a significant investment that will have massive benefits across our organisation in terms of operational efficiency and performance. It will greatly improve data accuracy and integrity and allow it to be shared between systems in real time, enabling us to act faster, deliver better outcomes and make more effective network investment decisions.

LOOKING AHEAD

Regional growth was strong this year. It is uncertain how long Covid-19 is likely to have both economic and societal ramifications. However, we believe our region is well placed to emerge from the pandemic in good shape. Our agricultural base will play an important part in boosting the regional economy, while the various infrastructure projects throughout our region coupled with our relative lower cost property and labour markets will make the region an attractive investment proposition as the economy begins to move again.

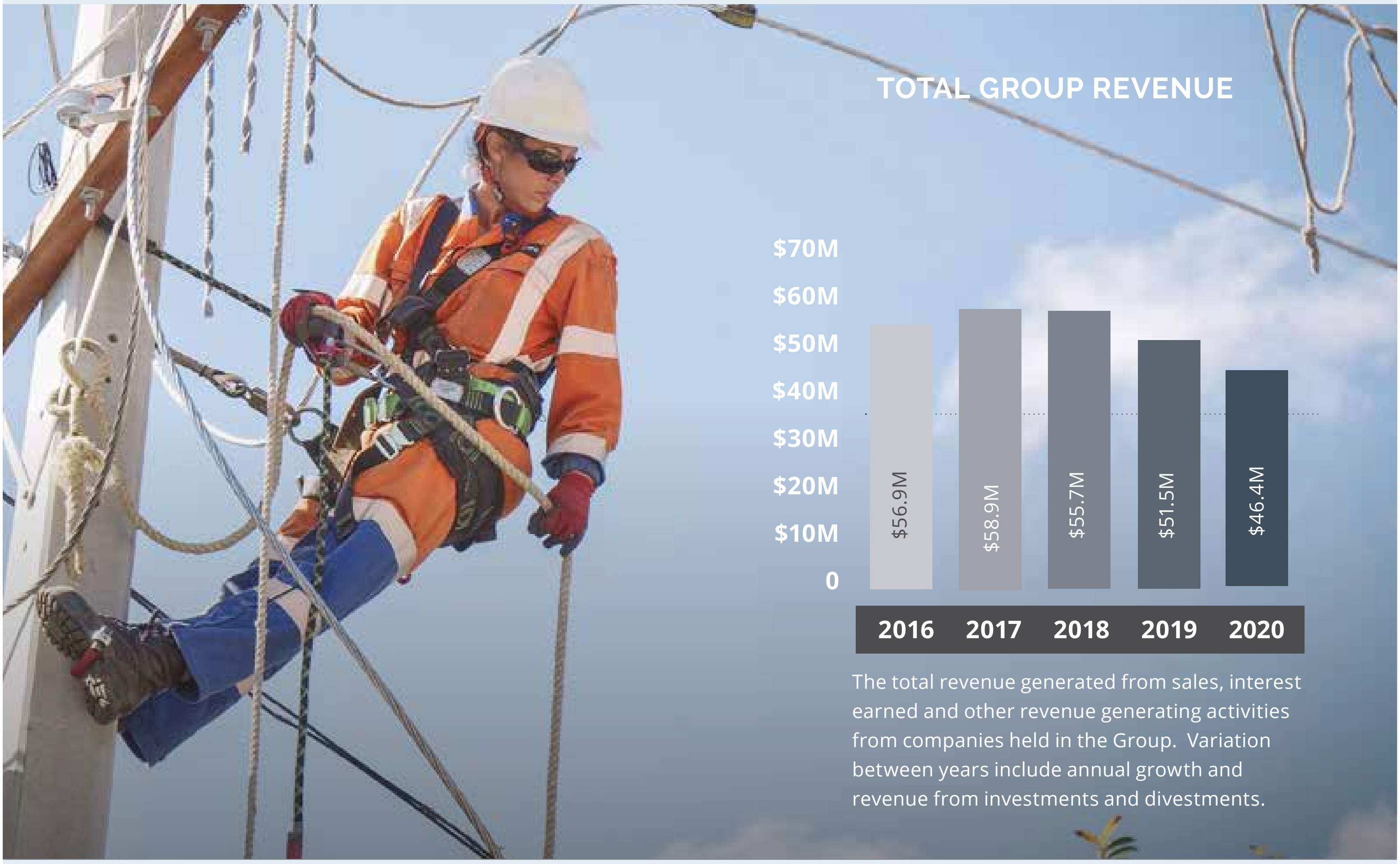
The Board and the Senior Leadership Team continue to enjoy an open and collaborative working relationship with the Electra Trustees, and we look forward to continuing this positive relationship over the coming year.

It is a privilege to lead the team that are guardians of this precious taonga for the people of Kapiti and Horowhenua. It has been a pleasure to work with my team, the Board and the Trustees once again this year. The Electra team all engaged in essential work during the Covid-19 lockdown and beyond. I am pleased to report that they performed like heroes.

Bob Riley: *"Hard times don't create **heroes.** It is during the hard times when the 'hero' within us is revealed."*

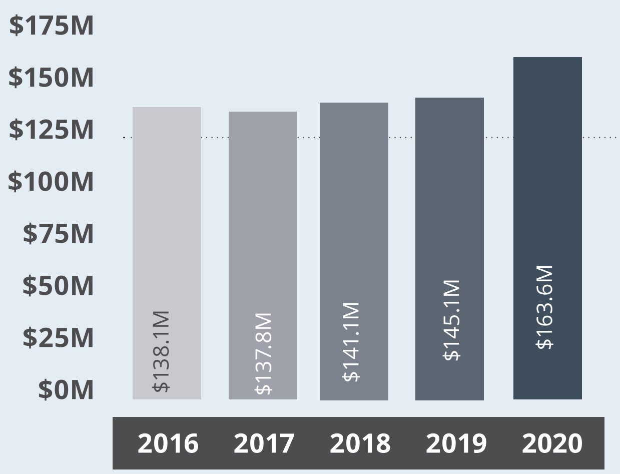
Neil Simmonds
Chief Executive, Electra Limited

FINANCIAL PERFORMANCE



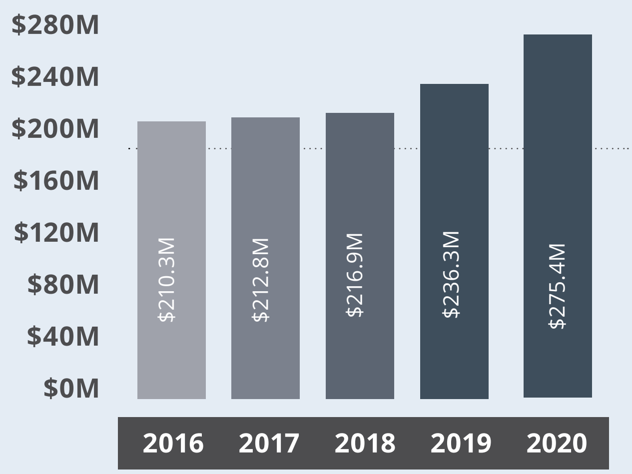
The total revenue generated from sales, interest earned and other revenue generating activities from companies held in the Group. Variation between years include annual growth and revenue from investments and divestments.

TOTAL SHAREHOLDERS' FUNDS



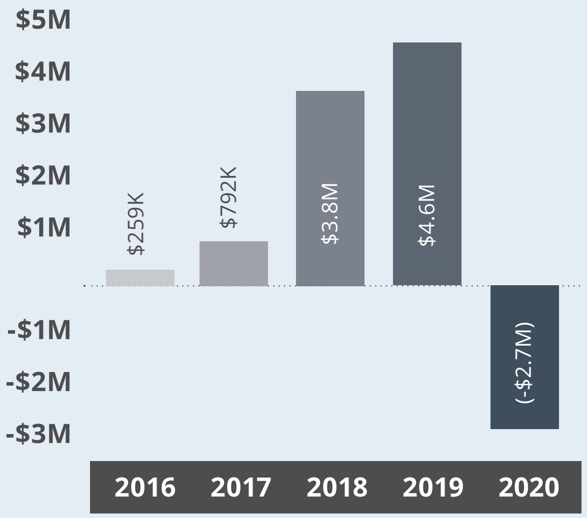
This is the amount that our owners have invested in the company. It's made up of the original share capital reserves built up over the years and retained earnings (profits that have been reinvested).

TOTAL ASSETS



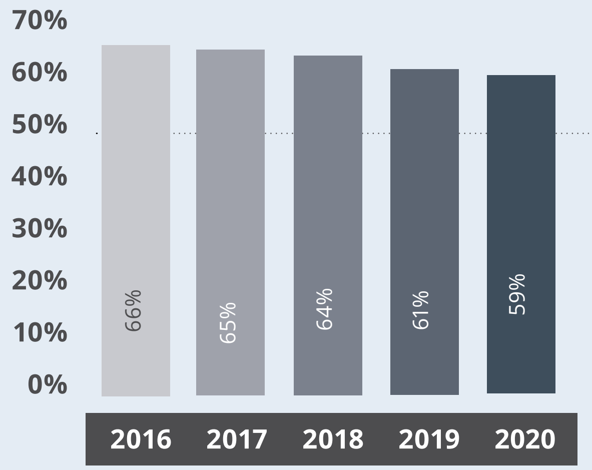
The Statement of Financial Position value of assets held in the Group.

NET PROFIT AFTER TAX



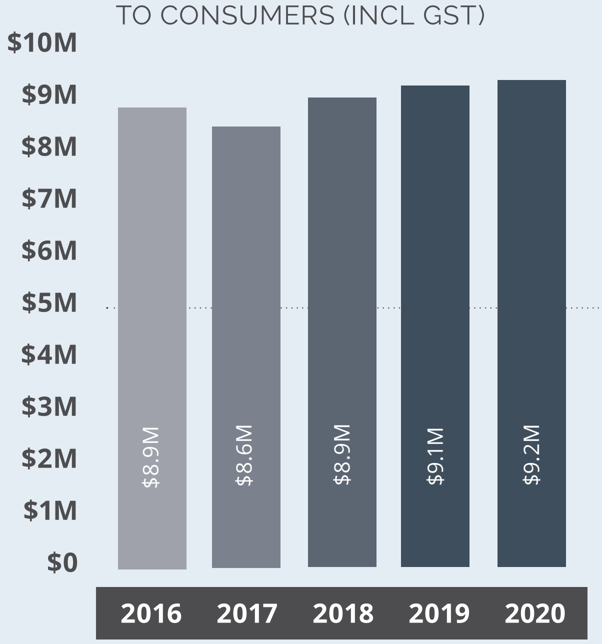
The profit we are left with after the sales discount is paid and the costs of running the business are deducted.

SHAREHOLDERS' FUNDS TO TOTAL ASSETS



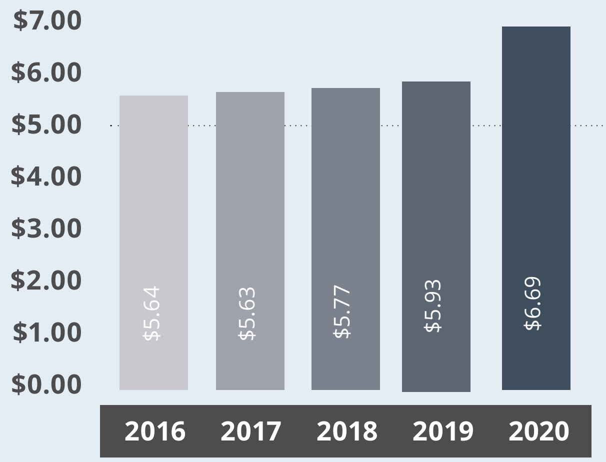
The ratio that shows the portion of the company's assets financed via shareholders' equity. Investment acquisitions financed will continue to lower this ratio.

SALES DISCOUNT ISSUED TO CONSUMERS (INCL GST)



The sales discount paid to each individual consumer connected to the network is based on a fixed amount plus a percentage of the network charges paid. Sales discount per ICP continues to increase.

NET ASSET BACKING PER SHARE



This is the net asset value of each share held recorded at the end of each financial year. Increasing values record growth of net assets.

DIRECTORS

Shelly Mitchell-Jenkins, Chair

BBS, FCA, CMInstD
Appointed 2014

Shelly is a Fellow Chartered Accountant and a Chartered Member of the NZ Institute of Directors. She is also a Director of Colbert Cooper Limited, a chartered accountancy practice located in Levin, providing business, accountancy and tax services to clients throughout the region and across NZ.

Brought up in Whanganui and with a BBS from Massey University, Shelly worked for Audit NZ and the Office of the Auditor General before spending several years in Japan and then settling in Levin in 1996.

Internal:
Risk and Audit Committee
Health & Safety Committee
Investment Committee

Other Directorships:
Web Genius Central (NZ) Limited
Eastern and Central Community Trust (Chair)
Levin Charitable Trust
Horowhenua Scholarship Trust

Previously she has served as independent director of Oxford Finance Corporation Limited, elected District Councillor for the NZ Institute of Chartered Accountants, Trustee of the Life to the Max Horowhenua Trust, Trustee of Horowhenua Events Centre Trust and on the Board of Nature Coast.

Mike Underhill

BE(elect), MCom(hons), FEngNZ, MInstD
Appointed 2018

Mike has extensive energy sector experience, both in governance roles and also as chief executive of EnergyDirect, TransAlta, WEL Networks and EECA. He has a degree in electrical engineering, a Master's degree with honours in economics from Canterbury University and has completed the Advanced Management Programme at Harvard.

He is passionate about energy efficiency and renewable energy and is a strong promoter of electric vehicles (he owns two). Mike has strong family roots in the Horowhenua, and he and his wife spent some years on Volunteer Service Abroad in Samoa.

Internal:
Risk & Audit Committee (Chair)
Health & Safety Committee

Other Directorships:
Network Waitaki Ltd

Previous director roles have included TransAlta NZ, Citipower and EECA, as well as Chair of the Security and Reliability Council and Chair of Katolyst, the Waikato economic development group.

Chris Dyhrberg

BCom, LLB, MInstD
Appointed 2014

Chris holds degrees in law and commerce from Otago University and is a Member of the Institute of Directors in New Zealand. He is currently the Chief Customer Officer at Palmerston North City Council.

He has worked in the ICT, health, education, local government and electricity sectors and held several executive roles within Spark New Zealand and Chorus New Zealand. He has experience across multiple disciplines including commercial, strategy, marketing, product management, industry and stakeholder management, engineering and infrastructure build.

Internal:
Health & Safety Committee (Chair)

Other Directorships:
Kapiti College Board of Trustees

Steve Armstrong
BCA, CA
Appointed in 2019

Steve works as a management consultant and independent director. His executive career spans 30 years of financial management across various sectors including oil and gas, electricity, financial services, agriculture, property and encompasses listed, state owned, private and co-operative ownership models.

Internal:
Risk & Audit Committee
Investment Committee (Chair)

Scott Houston
Appointed 2019

Scott was the founder and CEO of GreenButton, an award winning global cloud computing software company. GreenButton was acquired by Microsoft in May 2014 and Scott now works with other Hi-Tech companies that are expanding offshore. During his time at GreenButton the company won many accolades including NZ Emerging Hi Tech company of the year, Fastest Growing Tech company in the Deloitte Fast 500 and a number of Innovation awards. Scott was also a finalist in the Ernst & Young Entrepreneur of the Year awards in 2012 and named an "Innovation Hero" by the New Zealand Innovation Council in 2015.

Previous to his time at GreenButton, Scott was the NZ Regional Manager for Silicon Graphics, Chief Technical Officer at Weta Digital for the "Lord of the Rings" movies and Founder of the New Zealand Supercomputing Center.

Scott now sits on the boards of a number of technology companies, he is also writing his first novel on artificial intelligence and he is a New Zealand Trade and Enterprise beachheads advisor.

Internal:
ESL Advisory Board (Chair)
Risk & Audit Committee
Investment Committee

We are sad to advise that Alan McCauley passed away in December 2019 following a short illness.

A Director of Electra since 2016, Alan was a popular and highly respected member of the Board with substantial experience both as a senior executive in the electricity sector and a management consultant throughout New Zealand, Australia and Asia.

A competitive runner, Alan competed in the World Masters Mountain Running Championships and enjoyed running over the hills behind Kapiti. His love of the sport saw him serve as a Director on both the Board of Athletics NZ and Athletics Victoria.

His business insight, energy and positive personality are truly missed at the Board table. We have lost a valued colleague and friend.

Rest in peace.

Alan McCauley
1959 to 2019

ELECTRA GROUP EXECUTIVE TEAM

Standing (l to r): Llanwyn Smith, Dylan Andrews, Mark Smith, Neil Simmonds
Seated (l to r): Jenny Beale, David Toon, Jo-Anne Hazlehurst

Neil Simmonds JP, MBA, BE, FEngNZ
CE – Electra Group

David Toon BCA, BA, LLM, Sloan MSC, CA, ICSA, MInstD
CFO/CIO - Electra Group

Jo-Anne Hazlehurst
GM - People and Culture

Dylan Andrews Henley MBA, Melbourne AMP, MIITP
GM Lines Business

Mark Smith BBS
GM – Electra Services

Jenny Beale LLB, AGNZ
General Counsel - Electra Group

Llanwyn Smith MNZM
Head of Growth and Acquisition - Electra Group

POWERED BY OUR PEOPLE

Our people drive the success of our business. Their performance enables us to deliver our commitments to our customers, stakeholders and the communities in which we operate.

We are proud of the high level of skill and capability of our people, and are committed to developing and equipping them with the skills and technology they need to perform their roles to the highest standards in quality, safety and customer service.

SAFETY GUIDES OUR ACTIONS

At Electra health and safety is a shared responsibility, a major strategic priority, a core business function, our number one rated risk and a company value. It forms an important part of our People and Culture Strategy (2018-21) and is a key focus at our Board and senior leadership level.

We have dedicated Health & Safety and Wellbeing Committees, and ten health & safety representatives across the business. Members of both the Board and senior leadership team attend business unit health & safety meetings and carry out site visits to reinforce safety messages.

We are committed to improving our performance through a process of continuous improvement with the ultimate aim being to achieve zero harm.

Over the last year we have seen a strong health & safety culture emerging across the business with team members taking responsibility to highlight potentially unsafe practices and behaviours, and much greater reporting of potential risks and 'near misses'.

INDEPENDENT REVIEW ENDORSES HEALTH & SAFETY SYSTEM

In 2019 we appointed an external organisation, Major Consulting Group, to conduct an independent review of our Health & Safety system across six key areas:

- Hazard and risk management
- Organisational environment
- Accident and incident reporting
- Monitoring and reporting
- Worker engagement and participation, and
- Business processes.

The review involved a review of documentation, interviews with staff at all levels and an online staff survey. The overall findings of the survey were considerably positive, with an average rating of 4.05 out of 5. Participation levels were high with respondents acknowledging that health & safety is everyone's responsibility and showing a strong commitment to keep their colleagues safe. Respondents largely felt well equipped (in terms of knowledge, skills and behaviours) and supported to effectively manage health & safety risks. There was confidence the business has identified the key risks and they are well controlled, that positive health & safety behaviours were both demonstrated and encouraged, and that incidents were used as opportunities for learning.

The key focus areas for improvement from the audit were to continue the increasing trends in the reporting of near misses and incidents, contractor performance assessment, further education on identifying risks and controls, and ensure that the learnings from incidents are imbedded at all levels.

Employee Spotlight

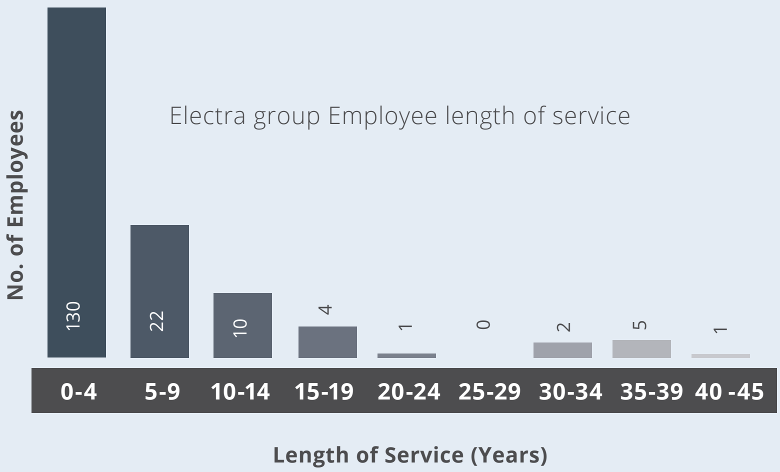
Horst von Fintel recently relocated to New Zealand from South Africa to join Electra as one of our Control Room Operators.

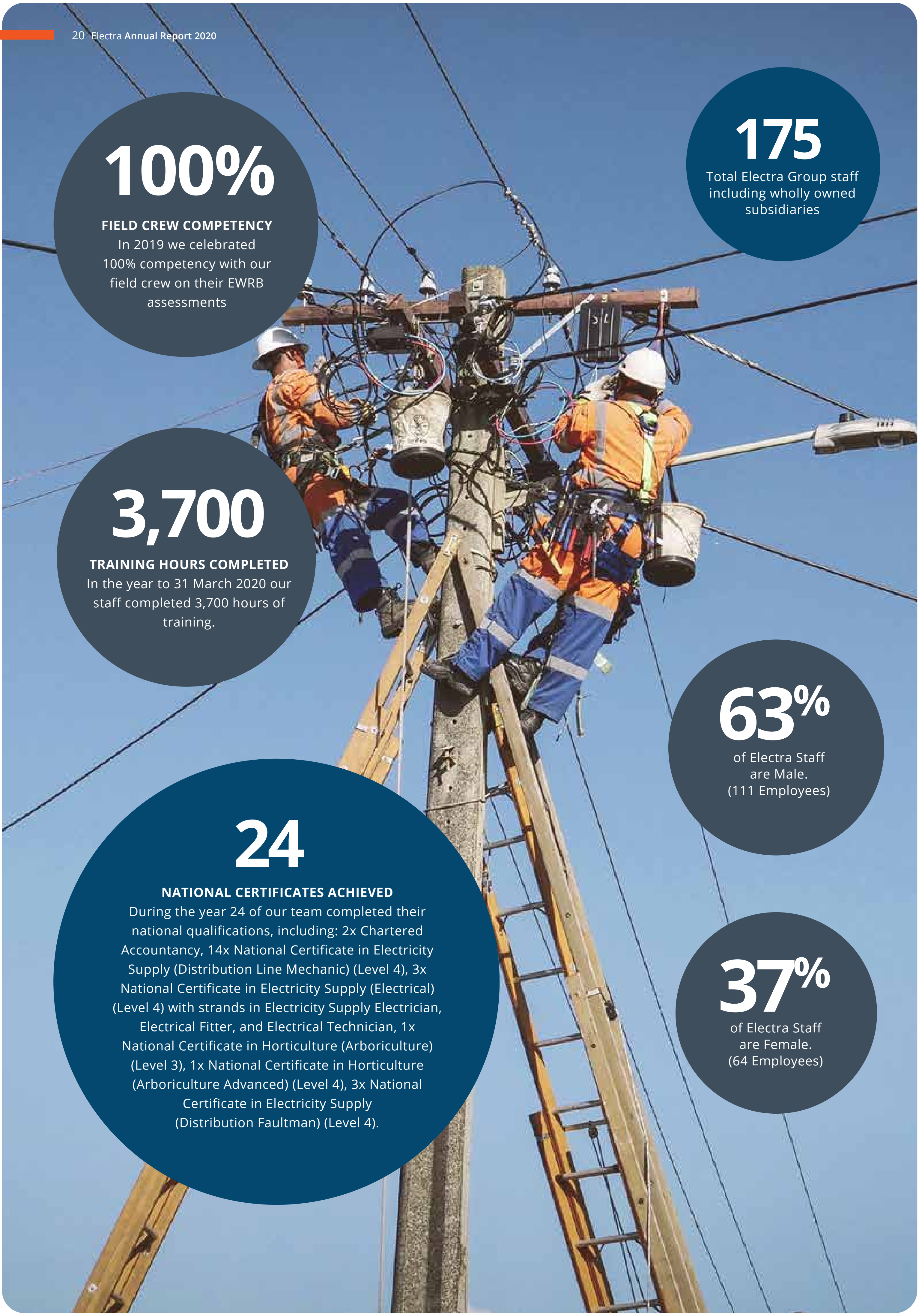
He says Electra made the process of moving his family to a new country a lot easier: 'The company was very generous in providing relocation assistance for my family and I, it really has helped set us up for a great start to our new lives here in New Zealand."

Horst has also been impressed by both the leadership style within Electra and the opportunities for professional development. "I appreciate the fact you're not micro-managed but left to do your job, yet still have the ability to ask questions and be supported when you need it."

"Electra really value training and development; it makes you feel valued as a new employee from the get-go. I'm already enrolled in a new NZQA qualification Level 4 in Electricity Supply and Network Control, after only five months in my role."

Horst says he's found Electra to be a forward-thinking company, setting the bar high for the way that work is completed in the industry. "From tools to logical and simple processes, I'm so glad to be here."





100%

FIELD CREW COMPETENCY
In 2019 we celebrated 100% competency with our field crew on their EWRB assessments

175

Total Electra Group staff including wholly owned subsidiaries

3,700

TRAINING HOURS COMPLETED
In the year to 31 March 2020 our staff completed 3,700 hours of training.

63%

of Electra Staff are Male.
(111 Employees)

24

NATIONAL CERTIFICATES ACHIEVED
During the year 24 of our team completed their national qualifications, including: 2x Chartered Accountancy, 14x National Certificate in Electricity Supply (Distribution Line Mechanic) (Level 4), 3x National Certificate in Electricity Supply (Electrical) (Level 4) with strands in Electricity Supply Electrician, Electrical Fitter, and Electrical Technician, 1x National Certificate in Horticulture (Arboriculture) (Level 3), 1x National Certificate in Horticulture (Arboriculture Advanced) (Level 4), 3x National Certificate in Electricity Supply (Distribution Faultman) (Level 4).

37%

of Electra Staff are Female.
(64 Employees)

CARING

EMPOWERING YOUR FUTURE

100% CONSUMER OWNED

Electra is wholly-owned by its 45,366 consumers, stretching from Paekakariki in the south to Foxton and Tokomaru in the north. Shares in the company are held on behalf of all consumers by a Trust whose six Trustees are elected under a Trust Deed to represent the owners' interests and protect their asset.

Anyone who is connected to the Electra network (i.e. a residential or business owner who has a dedicated ICP number as shown on their power account) is eligible to stand for election to the Trust.

Under the Trust Deed, Trustees are individually elected for three years. Once a year, the two longest serving Trustees in office must either retire or stand for re-election, thus providing an annual opportunity for change in representation.

Amongst its many roles, the Electra Trust is responsible for appointing the Directors of Electra Limited, commissioning ownership reviews (from time to time), maintaining open communication with owners, and working with the Board and senior management team to ensure any surplus funds generated by Electra Limited are returned to the owners in the form of an annual sales discount.

"The Trust commends Electra for the standard of excellence it has achieved in its core business of electricity distribution. It is acknowledged that the company is among the very best in New Zealand. We would also like to acknowledge the careful planning and preparation done in recent years to prepare for disaster, which came in the form of Covid-19. The company performed brilliantly and the lights stayed on. Our grateful thanks to everyone involved."

Sharon Crosbie CNZM OBE Chair

$9.2M
in sales discounts issued in 2020

Over the last 27 years we are proud to have been able to deliver more than $205m in sales discounts to the consumers on the Electra network.

> ## *We bought our first home knowing it was uninsulated.*
>
> ***With winter approaching and our sons having had previous trouble with ear infections, we came across the Warmer Kiwi Homes insulation grant. We met the criteria and the process was so easy and quick. Not too many people say they look forward to winter, but the Warmer Kiwi Homes programme has allowed us to sit back and relax in warmth in our new home and enjoy watching our tamariki thrive."***
>
> ***Amy Manderson, Kapiti***

From left to right: Fifer Brown, Hoani Brown, Emery Brown and Amy Manderson

Warmer Kiwi Homes is a Government programme that helps low-income households to install ceiling and underfloor insulation, and ground moisture barriers to make their homes warmer, drier and healthier.

In December 2018 we announced that we had formed a partnership with the Government agency, EECA, to jointly fund the installation of insulation into 70 homes in the Electra network area; a $150,000 commitment to the community.

SUPPORTING COMMUNITY WELLBEING

At Electra we are committed to stimulating regional growth by supporting and promoting activities that will generate business and employment opportunities in Kapiti and Horowhenua.

BUSINESS NETWORKING EVENTS

In 2019 we continued to provide local businesses with networking opportunities and access to top quality business and related speakers through our sponsorship of the Kapiti Electra Business Breakfasts and the Levin "Business After 5" events.

HOROWHENUA TASTE TRAIL

Launched in 2016, the Horowhenua Taste Trail is a self-drive adventure through Horowhenua's specialist food producers, providing the public with a unique opportunity to get behind the scenes, and sample delicious fresh produce, directly from the source. This event celebrates the richness and diversity of all that is grown and produced in the region and is a celebration of local producers that demonstrate excellence in their specialist categories. It was a privilege to be a supporting sponsor for the event when it was held on Saturday, 23 November 2019.

PROMOTING COMMUNITY GROUPS

Alongside our support for local business, we provide local community organisations an opportunity to promote themselves and the positive work they do in the community through free advertising space in a "Caring for our Community" page in the Kapiti and Horowhenua weekly newspapers.

BUSINESS EXCELLENCE

At Electra we are proud to be the principal sponsor of the Kapiti Horowhenua Business Awards, a role we've held since the Award's inception in 1993.

Today, the Electra Kapiti Horowhenua Business Awards are New Zealand's longest running business awards programme. Acknowledging excellent businesses in Kapiti and Horowhenua that are helping to drive economic and job growth in the region continues to be an honour for Electra.

Excellent local businesses are vital to our region's growth and economic wellbeing. Business growth drives regional growth and creates opportunities for everyone."

Shelly Mitchell-Jenkins, Chair, Electra Group

Overall, eight different businesses shared the sixteen Excellence, Achievement and Customer Choice Awards on the evening.

EXCELLENCE AWARD WINNERS
Owner-Operator: Horowhenua Taste Trail
Small Business: NZ Proud Ltd
Medium Business: Kapiti Coast Funeral Home
Large Business: New World Otaki

CUSTOMER CHOICE AWARD WINNERS
Hospitality: Relish Café Waikanae
Retail: Kitchen Creators Ltd
Service: Zebunisso Alimova/Mike Pero Mortgages
Age Friendly: Relish Café Waikanae

ACHIEVEMENT AWARD WINNERS
Health and Safety: Kitchen Creators Ltd
Employer of Choice: NZ Proud Ltd
Emerging Business: Horowhenua Taste Trail
New Thinking:Marty's Panel & Paint Ltd
"Give Where You Live": New World Otaki & Kapiti Coast Funeral Home
"It's Great to be Here!": Horowhenua Taste Trail

2019 BUSINESS OF THE YEAR

New World Otaki

New World Otaki was awarded the supreme Business of the Year Award in a tightly contested event at the Electra Kapiti Horowhenua Business Awards gala dinner at Southward's in Paraparaumu on Friday, 18 October 2019.

The business also received the Large Business Excellence Award and shared the "Give Where You Live" Achievement Award with Kapiti Coast Funeral Home who also received the Highly Commended Award as well as the Medium Business Excellence Award.

In announcing the supreme award winner, the judges highlighted New World Otaki's management structures, engaging and empowering leadership, and commitment to the customer. "We were impressed with the highly-focused management and leadership at New World Otaki. The business is well positioned for the future with internal talent developed in a way that increases engagement, innovation and business drive. New World Otaki's business growth can be attributed to a genuine understanding of customer needs and a commitment by its people to meet these needs in innovative ways."


ADVANCEDFLIGHT
IXW

DELIVERING

EMPOWERING YOUR FUTURE

OUR NETWORK

TOTAL CONSUMERS
45,366

TOTAL ELECTRICITY DELIVERED
415 GWh

NEW CONNECTIONS
379

AVERAGE SALES PER CUSTOMER
9,150 kWh

NETWORK AREA
1,628 KM²

MAXIMUM DEMAND
101 MW

TRANSMISSION & DISTRIBUTION
2,323 KM

CAPACITY UTILISATION
30%

TRANSFORMER CAPACITY
336,815 kVA

LOSS RATIO
7.73%

AVERAGE OPERATING COST
$5,603/KM

LOAD FACTOR
51%


Foxton Beach
Foxton
Tokomaru
Waitarere Beach
Shannon
Mangahao
Hokio Beach
Levin
Waikawa Beach
Manakau
Otaki Beach
Otaki
Te Horo Beach
Te Horo
Peka Peka
Waikanae Beach
Waikanae
Otaihanga
Reikorangi
Paraparaumu
Raumati
Electra Office and/or Depot

DELIVERING A MODERN, RESPONSIVE AND RELIABLE NETWORK

As a key regional infrastructure provider, we continue to invest in creating a truly modern electricity network capable of supporting long term growth throughout the Kapiti-Horowhenua region.

We have made excellent progress in recent years, moving closer to our zero LTI target, connecting more closely with customers, and maintaining high reliability and low costs. All while improving our core network capabilities and preparing for the challenges presented from both climate change and emerging and disruptive technologies.

SIGNIFICANT PROGRESS TOWARDS ZERO HARM

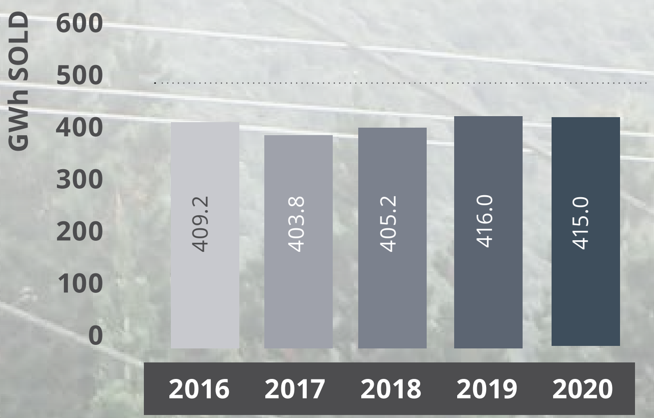
We are committed to achieving zero harm to our people, contractors, customers and the public, zero lost time injuries (LTIs) to anyone who works for us, and zero harm to the environment. Our targets also include compliance with applicable safety and environmental legislation.

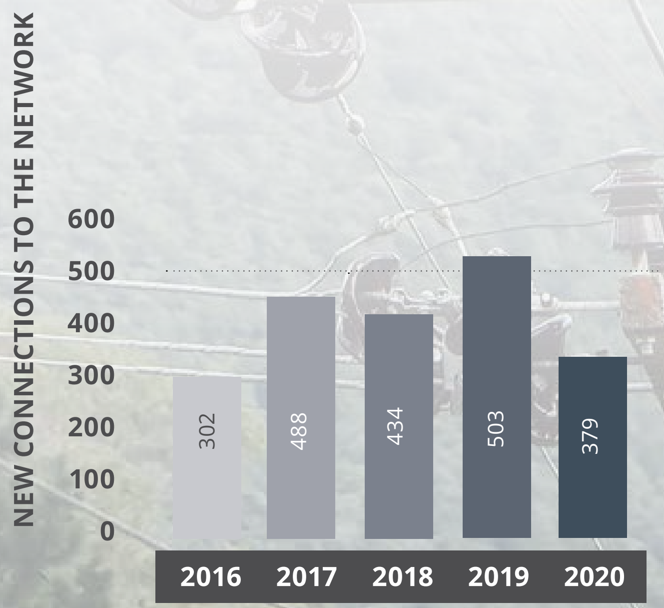
Safety and preparedness are key factors in our day-to-day operations. We have established a team to assess worker and public safety and the regulatory obligations that sit alongside this. Electra has increased the level of health and safety communication and awareness both internally and externally.

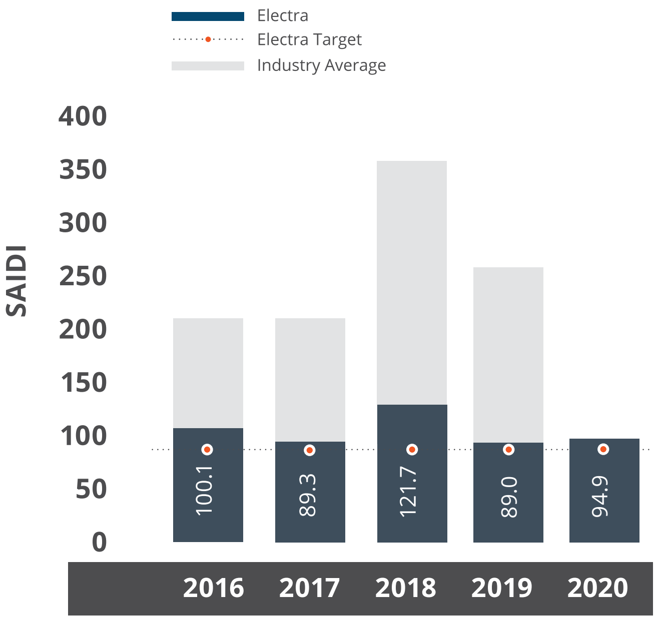
We continue to make health and safety improvements to our electricity network including the replacement of components such as pitchfilled metallic cable terminations, metal link pillar boxes, deck-mounted transformers and oil-filled switches. We have readily adopted a new Health & Safety incident recording and analysis platform (Vault) that has seen a 300% increase in reported incidents and 'near miss' events.

The theft of copper earth wire from poles in more remote parts of our network remains an issue and creates additional risk for our staff and the wider public. In the last year, we experienced 130 thefts at a cost in excess of $250,000. This is an industry-wide issue and we are working with other network companies, local authorities, metal recyclers and the Police to identify ways to reduce these incidents and the associated risk they cause.

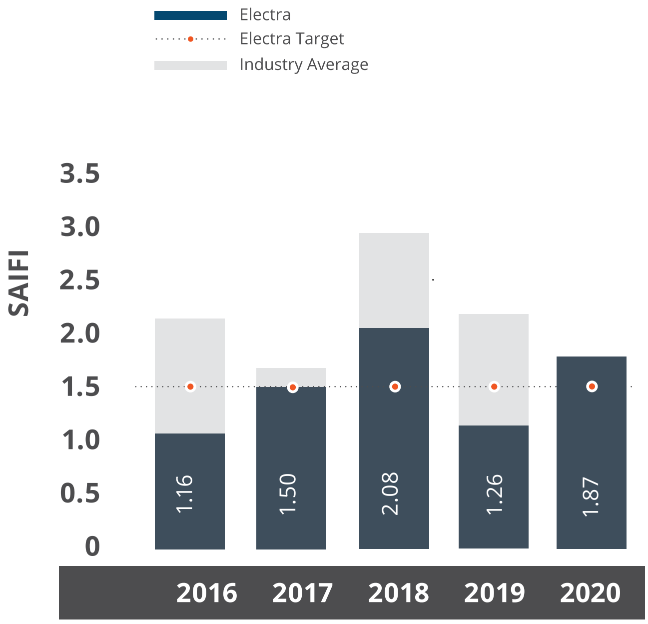
OUR NETWORK PERFORMANCE



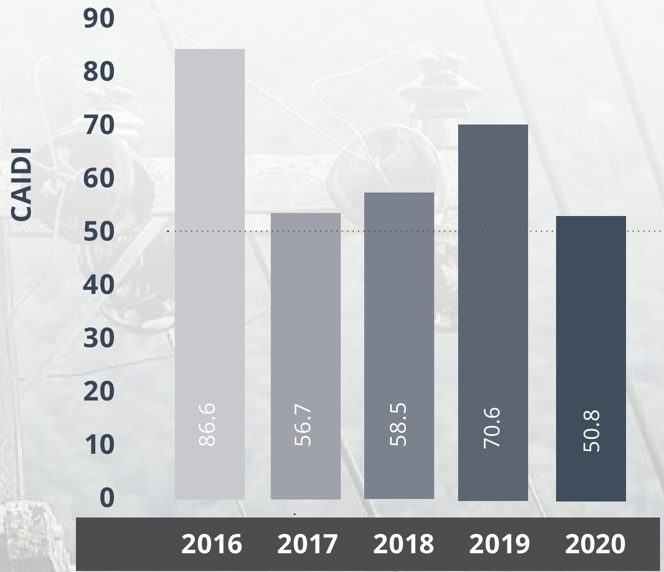




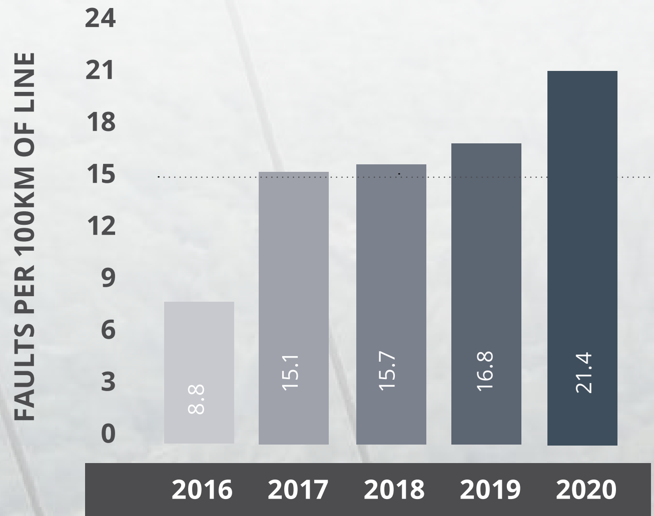
System Average Interruption Duration Index ('SAIDI'). The average outage duration (in minutes) per consumer per year. The lower the number, the better the reliability performance (industry averages and Electra targets are shown for comparison).

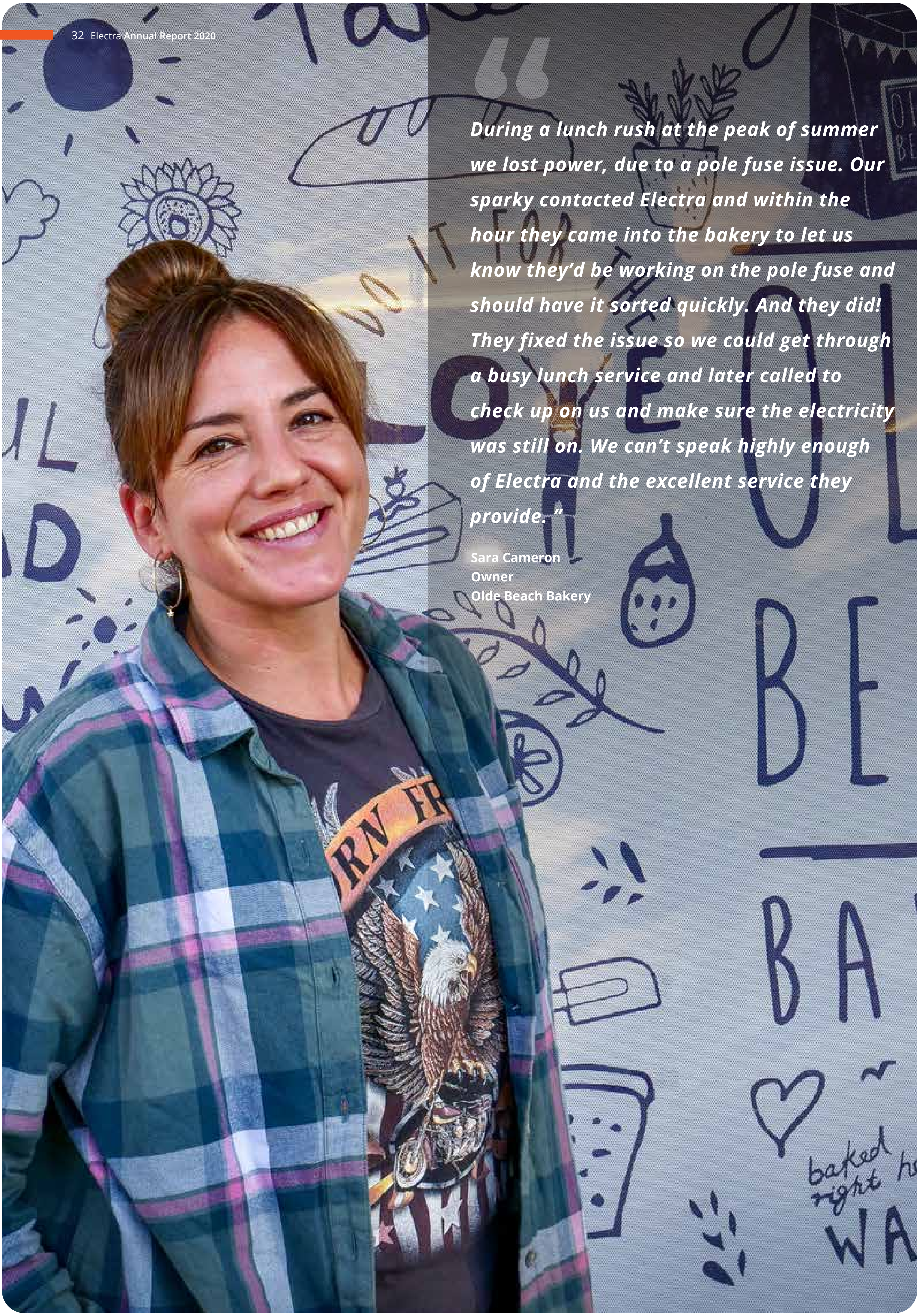


System Average Interruption Frequency Index ('SAIFI'). The average number of interruptions that a consumer would experience over the course of a year. The lower the number, the better the reliability performance (industry averages and Electra targets are shown for comparison).



Consumer Average Interruption Duration Index ('CAIDI'). CAIDI = SAIDI / SAIFI.





"During a lunch rush at the peak of summer we lost power, due to a pole fuse issue. Our sparky contacted Electra and within the hour they came into the bakery to let us know they'd be working on the pole fuse and should have it sorted quickly. And they did! They fixed the issue so we could get through a busy lunch service and later called to check up on us and make sure the electricity was still on. We can't speak highly enough of Electra and the excellent service they provide."

Sara Cameron
Owner
Olde Beach Bakery

CONNECTING WITH OUR CUSTOMERS

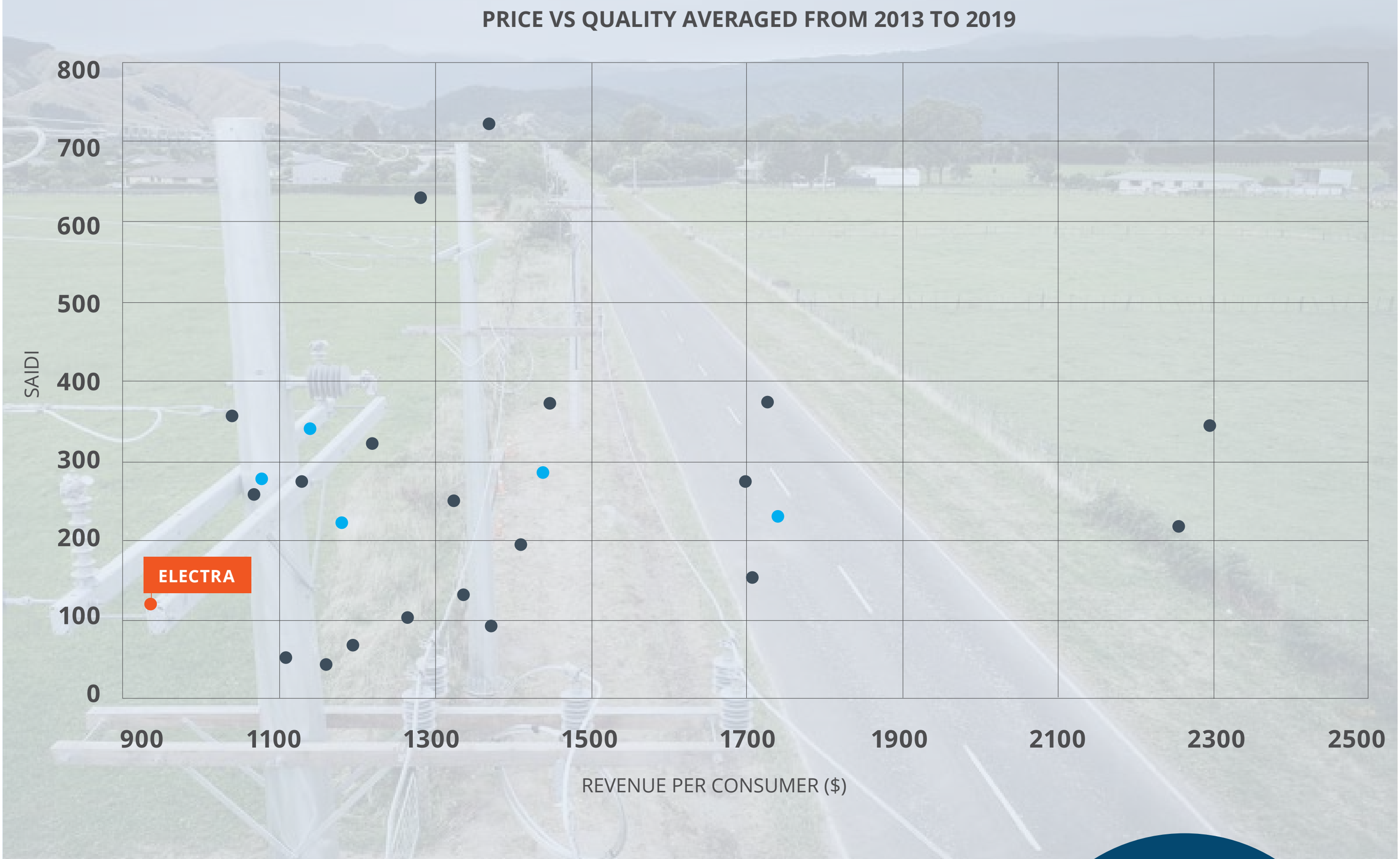
We have continued to improve customer experience through improved tools to communicate network status, more flexible pricing options, a drive for low prices, technical advice, and assistance with lines owned by customers.

Our new customer relationship management (CRM) system enables us to better track the resolution of customer enquiries, while on-going development and adoption of the Milsoft advanced distribution management system (ADMS) and billing systems will drive further improvements and initiatives.

These systems improve both the quality and consistency of our operational processes and services.

DELIVERING HIGH RELIABILITY AT LOW COST

Research confirms the two factors customers value most are high reliability and low costs. A comprehensive analysis[1] of our costs and performance against a peer group of seven other lines businesses confirms that we deliver the highest reliability and lowest cost per customer across our peer group, and places us amongst the industry's best performers overall.



Measurement of price and service level across Electricity Network businesses.

Low outage minutes and low costs detail best in class. Electra's peer group are electricity network businesses that share similar network characteristics and customer numbers to Electra.

SAIDI and OPEX will be **reduced** through cost, risk and performance **improvements**

This analysis confirms that we continue to deliver excellent reliability and value for money to electricity customers connected to our network.

Our asset strategy and works programmes will continue to focus on maintaining this high reliability-low cost position within our peer group.

1. Sources: Commerce Commission Information Disclosure data for financial years 2013-2019 data is extracted from Information Disclosure schedules from the relevant EDB's website.

FOCUSED ON SUSTAINABILITY, CLIMATE CHANGE AND RENEWABLES

Environmental sustainability is a key factor in the delivery of modern, flexible and responsive electricity networks. We integrate environmental sustainability into our network planning and delivery activities with a view to achieving three outcomes:

- Minimising the impact on the environment
- Improving our resilience to changing environmental conditions, and
- Facilitating the adoption of new energy technologies or renewables that support the decarbonising of our regional and the wider New Zealand economies.

> **Sustainability**, climate change and **renewables** initiatives will be **supported and enhanced**

Current and emerging environmental risks are key considerations in network planning and eventual designs and asset lifecycle management plans.

We look to reduce our environmental impact through the tools and equipment we use including longer life and recycling of consumables, and the sustainability of the materials we procure. We have commenced a three-year programme to implement ISO55000 within our business which focuses on the management of assets using sustainable practices across the full procurement cycle, including proactive asset disposal (for example, of transformers).

We regularly review risks in our Public Safety Management System, improve operational efficiencies and carefully manage risky materials, particularly oils and SF6 gas.

Over recent years, parts of the network have been impacted by high rainfall, causing previously stable land to slip, and increasing populations of birds resulting in higher incidents of bird strikes. Prevailing north westerly winds coupled with a coastal marine environment continue to significantly impact asset life.

Our programmes include replacing lines that meet ‘end of life’ criteria and creating alternative supply routes to provide greater flexibility in transferring load during network outage situations. We continue to implement information systems and smart network technologies that allow us to make use of automated switching to isolate faults and quickly restore power. We also continue to undertake seismic strengthening across our network, particularly at the zone substation level.

Nationally, opportunities exist to decarbonise transport fuels, increase the portion of renewable energy in New Zealand’s electricity system and adopt more efficient energy use and energy exchange.

We are already supporting the connection of renewable energy sources and the adoption of electric vehicles across our network.

In collaboration with Charge Net NZ, the Kapiti Coast and Horowhenua District Councils, and with support from EECA, we have installed nine additional electric vehicle (EV) fast chargers across our region. This achievement not only assists the adoption of clean fuelled vehicles but is critical in ensuring the EV fast-charging network is able to meet the target of a fast charger every 75km.

We are also gaining practical experience in the monitoring and management of low speed EV charging technology by deploying Smart Charging infrastructure at our offices and depots.

We are preparing the network, systems and customer communications to enable a much wider range of distributed energy resources to exchange and trade surplus renewable energy.

We have installed an 8kWh photovoltaic battery system at our Head Office to better manage and understand the impact of PV on the network and gain insight into how a transactive grid of the future might look like.

And we have been pursuing the implementation of interactive enabling technologies and actively promoting how consumers can optimise their energy use and costs.

DEVELOPING SERVICE-ORIENTED AND COST-REFLECTIVE PRICING

Our pricing methodology allows us to build, operate and maintain a safe and reliable electricity network and serve our customers throughout the region. It complies with regulatory requirements and promotes cost reflective distribution price options and transparency to customers. Our pricing principles are reflected in the investment of suitable infrastructure and asset management reflected in the Asset Management Plan (AMP).

The Commerce Commission’s price-quality regulation sets rules about how much lines companies can earn from their customers and the minimum reliability standards they must deliver. In November 2019, the Commerce Commission released its final decision on default price-quality paths (‘DPPs’) for 2020-25, meaning most customers should experience a reduction in distribution charges (which represent around 75% of total network costs) from 1 April 2020.

At the same time the Commission reduced Transpower's transmission charges (which represent around 25% of total network costs) by around $142m in total, and these lower charges from the national grid operator have also been passed through to customers throughout the country.

For the consumers connected to the Electra network the average reduction in distribution charges, which constitutes around 25% of the average electricity account, is around 5%.

While our lower charges apply to every electricity retailer operating on our network, and there is an expectation that these reductions will be passed through to consumers, to date only around half the retailers on our network have done this.

The Commission has indicated a desire to move away from low user fixed charges and towards time of use pricing. In response, we introduced new price options on 1 April 2020 targeted at EV owners. Our new Time of Use EV options incentivise customers with EVs to shift a large amount of discretionary load (EV charging) to off-peak and night times.

The new price options offer the opportunity for further savings for consumers and electricity retailers have indicated a desire to move many of their customers to the new pricing plans. We expect large numbers of customers will be switched to the new plans over the course of this year.

Lower electricity pricing is good for consumers but it does have a significant impact on our future revenue and, as a result, the level of sales discount we can deliver to our owners – the homes, businesses and organisations connected to our network.

Our current business model is based on a mix of fixed and variable revenue streams that recover costs that are almost totally fixed. Emerging technologies such as LED streetlighting, electric vehicles, solar panels and batteries could significantly alter the location, magnitude and timing of electricity demand on our network.

We are examining these developments closely and working on strategies to pre-empt the change, including the progressive introduction of service-oriented and cost-reflective price changes to fairly recover the full cost of the network from all consumers on the network – the underlying goal being to continue to improve the network and deliver an efficient and reliable electricity supply to the region.

COMPLETED NETWORK PROJECTS FY 2020

Category	Project Description	Region	Total Investment
Growth	Park Avenue: install new 11kV feeder from Waikanae substation	Waikanae	$1,450,000
Quality	Tararua Rd: new Levin East to Mangahao connection (extend ex-110kV line)	Levin	$500,000
Renewal	Manakau South Rd: upgrade 11kV overhead network	Manakau	$225,000
Quality	Kawiu Rd: change 33kV/11kV arms to avoid bird related outages	Levin	$225,000
Quality	Paraparaumu 33kV protection design & setting calculation	Kapiti	$278,800
Renewal	Oturoa Rd: upgrade 11kV overhead network & automate F8	Poroutawhao	$217,600
Quality	Valley Rd GXP to Waikanae: fibre installation through Tongariro substation	Kapiti	$120,000
Quality	Mangahao ODID	Mangahao	$170,000
Renewal	Bruce Rd: upgrade transformer room	Levin	$163,200
Renewal	Winchester St: upgrade 11kV overhead network	Levin	$136,000

In 2019 we tested our business readiness and capability by conducting a large-scale business continuity exercise. The results were encouraging with only minor areas of improvement identified. We will be re-running this exercise again in late 2020.

In 2018 we commenced a programme to deploy smart devices across our entire network. The Industrial Internet of Things (IIoT) communication technology allows us to gather network status data to further improve network reliability, customer service and asset investment decisions.

To date we have invested over $250,000 in sensors covering IIoT, distributed energy resources (DER), electric vehicle supply equipment management (EVSE) and monitoring, foundation linking technologies and low voltage status monitoring.

We have invested a further $500,000 in automation to enable sectionalisation of the network to quickly isolate faults and restore power.

We are implementing Smart Grid technology across six interrelated areas:

- Smart technology on the network
- Smart technology in our customers' homes and businesses
- Back office systems that enable information exchange with these smart technologies
- Web-based systems that provide information for customer and Electra decision making
- Customer engagement and product offerings, and
- Seamless inter-operability between available technology.

Alongside this work we are in the process of reviewing our existing ADMS and SCADA systems as we look to interface these systems with DERMS and EMS. These systems will enable us to provide better outcomes for customers by incorporating the distributed energy resources well into the network and transitioning it to become a transactional grid rather than the traditional uni-directional grid.

In 2019 we also commenced a multi-year digital transformation project that aims to future proof our systems and processes, including the full digitisation of our control room.

Finally, job and asset management systems are currently under review as we look to better identify, understand and track costs within our business.

CONTRIBUTING TO INDUSTRY THOUGHT LEADERSHIP

Our organisation is an active contributor to industry discussions and submissions.

Electra representatives chair the CIO Forum of North Island Electricity Lines Businesses as well as the National Risk Forum for Electricity Lines Businesses. We are also a founding member of and currently chair the IoT working group of electricity lines businesses in New Zealand.

We are also regular participants in industry working groups organised by the Electricity Authority, Commerce Commission and Electricity Network Association.

PLANNING AHEAD: ASSET MANAGEMENT PLAN (2020-2030)

Our Asset Management Plan (AMP) 2020 sets out our asset management strategies and investment plans for the next 10 years, and clearly establishes the linkages between the AMP and the Electra Group's wider corporate strategies.

It is structured to meet regulatory compliance of the Electricity Distribution Information Disclosure Determination 2012[3].

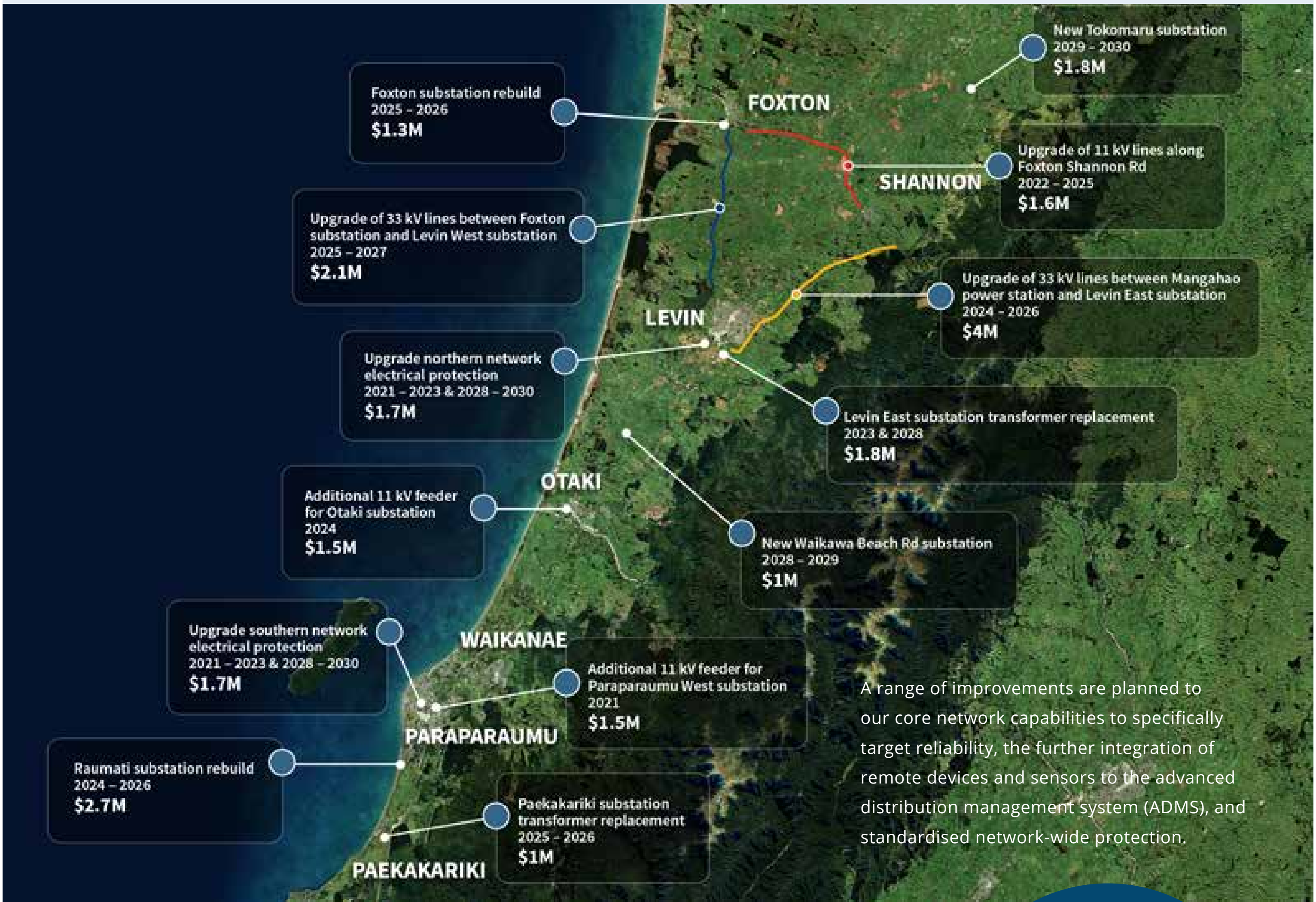
The current AMP aims to facilitate the transition to a transactive network and support that transition with the following asset management practice improvements:

- Enhancing evidence-based investment decisions with risk and criticality dimensions to quantify and prioritise investments
- Improving cost, risk and performance, with a view to reduce SAIDI and OPEX, and
- Enhancing and supporting sustainability, climate change and renewables initiatives.

These will in turn result in more detailed year-by-year actions included in the annual business plan and work programmes.
In deriving the programmes for network development, we aim to optimise expenditure by considering demand growth, existing network conditions and capacity, customer input and service levels for reliability, quality and safety.

The significant programmes for the 2020-2030 planning period include the following projects:

KEY NETWORK PROJECTS 2020-2030



FORECAST EXPENDITURE

Capital costs are expected to average $11.4M per year over the next 10 years while operational costs are expected to average $4.6M per year over the same period. We have the flexibility to adjust this investment if growth accelerates beyond our expectations.

Capital expenditure is projected to be split across the following activities over the next 10 years:

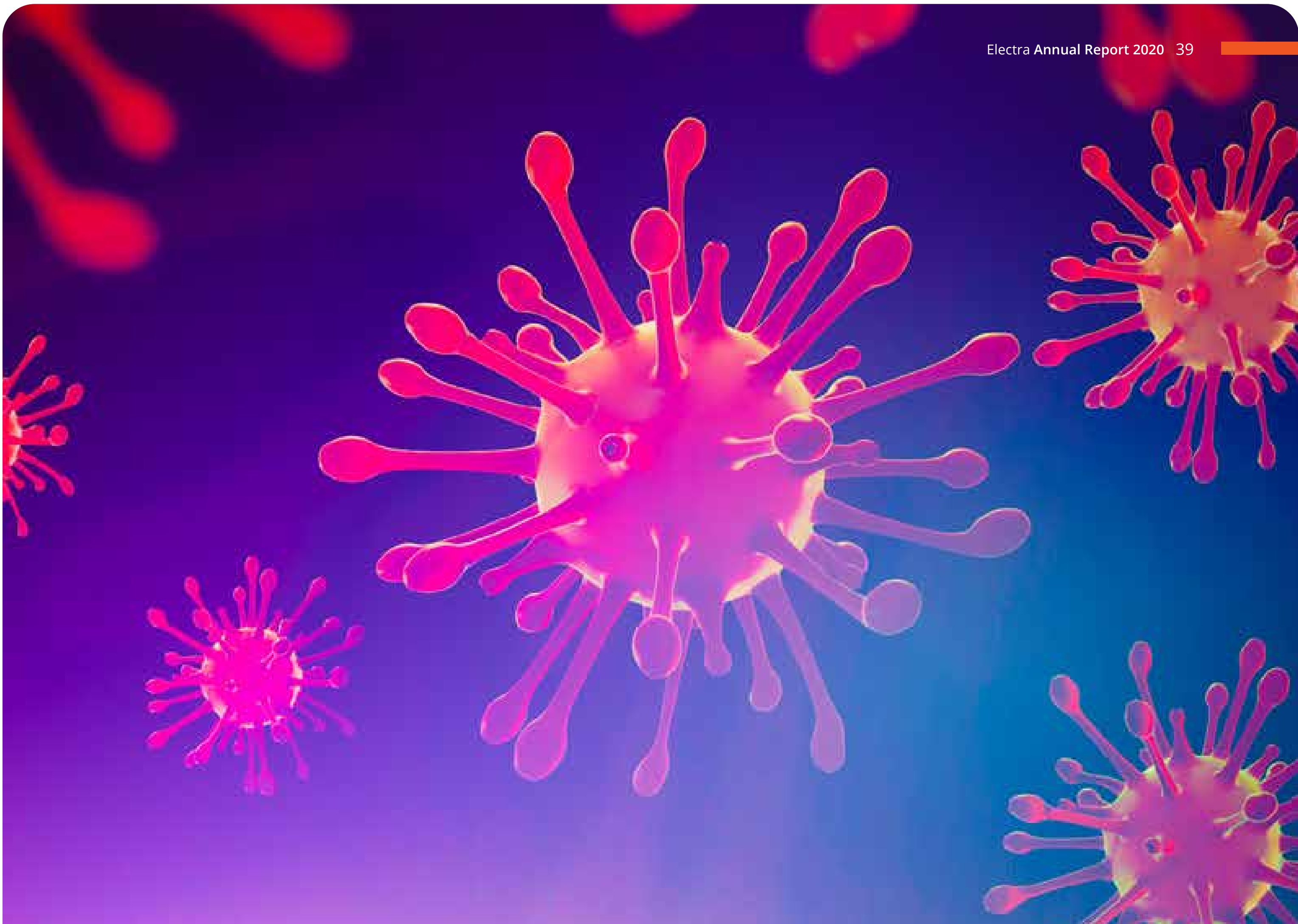
- network growth (11.1%)
- reliability, safety and environment (23.7%), and
- renewal and replacement work (65.2%).

Investments will be prioritised and quantified using enhanced evidence-based investment decision making

PLANNED NETWORK PROJECTS FY 2021

For the 2021 financial year, our ten largest projects in terms of level of investment are listed below.

SI No	Category	Work Description	Region	Total
1	Growth	Additional 11kV feeder to offload 405-Paraparaumu West ZS.	Paraparaumu West	$1,450,000
2	Quality	Network Sectionalisation: Automation of ABSes	All	$500,000
3	Legislative	Paraparaumu East sub: Seismic Strengthening	Paraparaumu East	$225,000
4	Legislative	Waikanae sub: Seismic Strengthening	Waikanae	$225,000
5	Renewal	Kuku Beach Rd: Upgrade 11kV OH network	Levin	$278,800
6	Renewal	Makerua Rd & Tawa St: Upgrade 11kV OH network	Tokomaru	$217,600
7	Renewal	MacArthur St: Upgrade 400V OH network	Levin	$120,000
8	Quality	Automation of Ground mount switchgear	All	$170,000
9	Renewal	Bartholomew Rd: Upgrade 11kV OH network	Levin	$163,200
10	Renewal	Stafford St: Upgrade 11kV OH network	Shannon	$136,000
11	Renewal	Takapu Rd: Upgrade 11kV OH network	Otaki	$136,000
12	Renewal	Puriri Rd & Greenaway Rd: Upgrade 11kV OH network	Waikanae	$122,400
13	Renewal	Koputaroa Rd: Upgrade 11kV OH network	Levin West	$122,400
14	Renewal	Temuera St & Matai St: Upgrade 11kV OH network	Otaki	$112,880
15	Quality	Install LV power quality monitors	All	$100,000
16	Quality	Install additional permanent fault locators	All	$100,000



OUR COVID-19 RESPONSE

As an essential business, our team worked tirelessly to keep the lights on and our communities safe and connected during the Covid-19 lockdown.

We ensured our staff were provided with appropriate personal protection equipment and well briefed on the correct processes and protocols. Teams worked in dedicated bubbles of four for the entire duration of the lockdown, and staff were restricted to one person to a vehicle.

The response of our people was extremely positive and professional – we want to acknowledge their dedication and commitment and thank them and their families for risking their health so our communities could remain safe in their homes.

We also want to thank the public for their understanding and patience, and for helping us to maintain the integrity of our respective bubbles, especially during the times we had to enter a home to test a line.

LEVEL 4 LOCKDOWN BY THE NUMBERS
During Level Four lockdown our teams attended and managed:

665
site visits

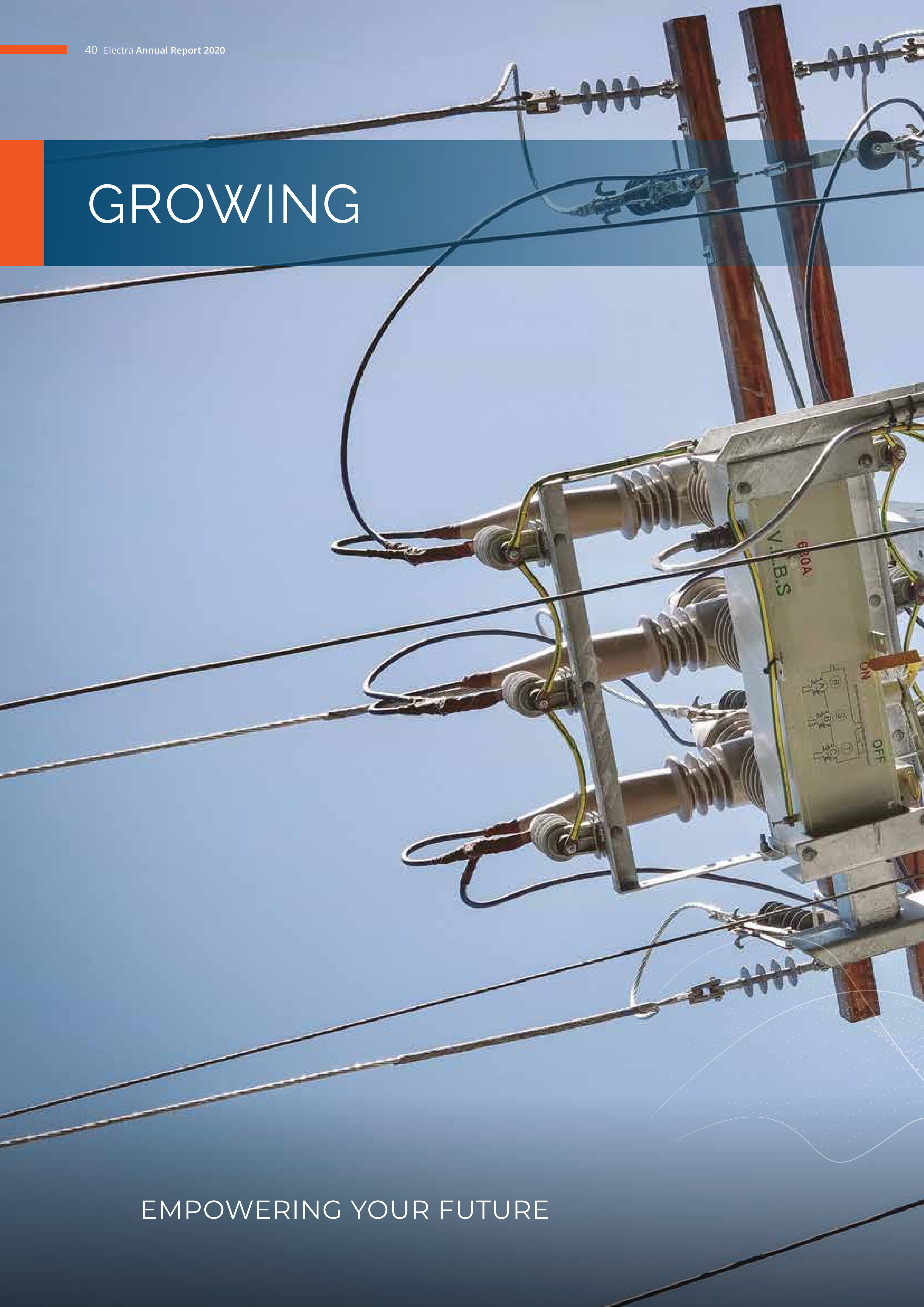
268
electricity faults

2
traffic incidents (pole damage)

10
vegetation jobs

25
unplanned outages

GROWING



EMPOWERING YOUR FUTURE

DELIVERING GROWTH BEYOND THE NETWORK

For almost 100 years we have focused on delivering a safe and reliable electricity supply to everyone connected to our network, and ensuring it has the flexibility and capacity to meet both current and future demand and needs.

Over time we have acquired several non-core businesses that have enabled the Electra Group to build a portfolio of assets and additional revenue streams for the owners of our business – the customers connected to our electricity network.

In 2017 the Board and senior leadership team reviewed the company's strategic direction and created an ambitious 10-year strategy (2017-27) to generate substantial growth for the Electra Group.

Part of this strategy has been to invest in companies that complement the Group's core (electricity network) business and provide opportunities to add value and expanded services that enhance the benefit we can deliver to the Group.

This means identifying opportunities that position the Group for future growth, increase our revenue streams and, ultimately, the level of value we can provide to both our owners and the communities in which we operate.

ELECTRA SERVICES LIMITED

(TRADING AS SECURELY)

Established in 2017, and an important part of our Group strategy, Electra Services Limited brings together modern contact centre capability with security monitoring, automation services and independent living support services. It is one of the few 24/7 combined monitoring and call centres operating nationally.

Over the last year we have strengthened our call centre capability, moving the Bupa medical alarm monitoring in-house and doubling our capacity at the Levin call centre. We have continued to handle the fault calls on behalf of the network business.

We have established a second customer care team in Tauranga to ensure business continuity in the event of a natural disaster or other significant event such as a serious outage.

And we have continued to build capability within the business to improve the level of service we deliver to our customers, through a mix of recruitment and strategic partnerships.

The quality of our business was underlined in 2019 when the assessors conducting our Telarc audit commented that our operation was the best they had seen.

TECHNOLOGY-DRIVEN

Our use of leading-edge technology and Cloud-based solutions means our people can work remotely without any disruption to service. These solutions include a new CRM, phone system and finance system. We launched a new website that provides us with an eCommerce capability and makes it even easier for customers to work with us.

Our security, monitoring and independence services trade under the Securely brand – a brand that is building a reputation for delivering market leading products and services that challenge the traditional medical and security alarms sector that has remained largely unchanged for more than 20-years. Our market leading and highly disruptive technology is providing customers with far greater capability but at a fraction of the cost.

Our technology platform (Essence) starts where other product offerings stop. It is delivering a more connected experience for our customers and their families, particularly in the medical space where it is enabling older people to maintain their independence and remain in their homes much longer.

Our investment in the Essence platform combined with our medical alarm business means Securely is well positioned to become a major player in this market.

AGED CARE A KEY MARKET

Aged care and the provision of services that allow the elderly to continue to live safely in their homes for longer has appeal for individuals, families and social agencies alike. The Covid-19 pandemic has increased the awareness of this issue further as families worry about the ongoing health and wellbeing of elderly relatives.

Mobile solutions, smart technology (including voice activated commands) and Artificial Intelligence are enabling us to deliver a 24/7 end-to-end service for our customers and their families, many of whom reside in other areas of the country. As well as detecting the usual changes in heat, sound, and motion and sending alerts to the customer (and their family), we use algorithms and Artificial Intelligence to track and monitor daily movements and predict possible health issues based on the findings.

Our platform not only has positive outcomes for elderly (and disabled) individuals and their families, enabling a person to continue to live independently in their own home for longer, it also has the potential to deliver meaningful cost benefits for New Zealand's health and social agencies.

This will become a much greater issue for the country over the next decade with New Zealand's population of over 65s set to double by 2033, while over the same period construction of new rest home facilities is expected to deliver around a third of what is required. The under-supply of aged care facilities throughout the country provides significant future growth opportunities for our business.

"The Securely team have been amazing with the installation of Mum's new medical alarm – they are great to work with, helpful, fun and confident. I can see what is happening with Mum remotely as I live 3 ½ hours away – the family app allows me to monitor Mum's movement which gives me peace of mind. Julie Holmes (Securely Independent Living Advisor, Christchurch) is just fabulous and goes the extra mile for her clients – I can see it's more than a job for her. We are so lucky to have her helping us."

Kay Dennison

FALLS ESTATE

The Falls Estate Lifestyle Village is a high quality, gated retirement community with 147 homes and just under 200 residents, located next to the scenic Whangarei Falls in the far north. The Village became a Securely client when the company purchased the Bupa medical alarm business in 2018.

Village Manager, Marie Annandale says the transition from Bupa to Securely has been excellent.

"Securely have been really proactive and worked with us to tighten the operational procedures and provide better service and peace of mind to our residents. We now have far better protocols with written standard operating procedures and formalised processes to make sure our residents are well informed and looked after.

Moving into the Village can be a stressful time, but the Securely team make sure our residents are properly set up so they can feel completely safe and secure from their first night in the Village.

They also meet with every resident at least once a year to test their equipment, refresh their training and just check that they are ok and comfortable with their alarms.

When an alarm is activated, they spring into action, making sure our resident quickly gets the help they need. They then call them back to reassure them that help is on the way and check their status, providing medical responders who are en route with real time updates. We couldn't be happier with the level of service, support and communication we've received from the Securely team."

Marie Annandale
Village Manager
The Falls Estate Lifestyle Village

ACQUISITION REMAINS A FOCUS

During 2019/20 we continued to consolidate security businesses across the lower North Island with the acquisition of Horowhenua Security. A central North Island security business was acquired after the financial year ended (April 2020).

GROWTH THROUGH STRATEGIC PARTNERSHIPS

Aged care and the provision of services that allow the elderly to continue to live safely in their homes for longer has considerable appeal (and benefits) for individuals, families and social agencies alike.

In 2019 Securely became a certified and accredited provider of medical alarms for the Ministry of Social Development (MSD), meaning individuals can now receive a fully funded Securely medical alarm and access additional value-added services for little additional cost.

Opportunities exist to deliver a broad range of security and independence solutions to meet the needs of existing and new customers both individually, as specific clusters (e.g. retirement facilities), or through strategic partnerships (e.g. local government, public sector agencies, etc).

In the aged care sector Securely has been an integral part of the government's "Senior Wellness Project", working alongside the Ministry of Health, DHBs, Office of Seniors (MSD), NZ Health Quality & Safety Commission and local lobby groups to better understand how technology can enable people to retain their independence for longer. This project has identified that technology can deliver significant national savings ($100m+) and provide early and better health outcomes for New Zealand's senior population. The AI-driven concept we developed for this project won "People's Choice" at the demonstration day and has generated interest from Callaghan Innovation.

Following a successful trial, we have formed a marketing partnership with the Pharmacy Guild and community pharmacies throughout the country, with more than 100 pharmacies providing referrals for our independent living products and services. We are currently in discussions with Presbyterian Support about the possibility of entering a similar arrangement.

Beyond the more traditional aged care market, the Essence platform also allows us to deliver additional products and services to meet other security and safety needs, such as an extendible smart home and security system based around wireless and smart phone apps, and a safety solution that monitors the health and wellbeing of lone workers and active elders.

In March we attended the Safe 360 conference in Auckland, focused on making workplaces safer. We were able to use the event to test and validate our new product concept, SECURELY Ready, a technology-based solution that will allow businesses to better monitor and support their lone worker staff.

The changing face of technology also provides opportunities. An example of this is in the telecommunications industry where the new VOIP (digital) environment requires mobile solutions to replace the more traditional fixed line (analogue) products. We are working with agencies such as Chorus to ensure our technology integrates seamlessly with these new platforms.

QUAIL RIDGE COUNTRY CLUB

Having entered into a joint venture with Spark with a 50% stake in Connect 8 in 2018, we have now added a second joint venture to the Group's portfolio with a 49.9% stake in the Quail Ridge Country Club and its associated building company, Kerikeri Falls Investment Limited.

Quail Ridge Country Club is a high quality retirement village in Kerikeri owned and operated by Don and Jill Cottle (formerly from the Horowhenua region). They established an orchard on the site in 1981 before deciding to subdivide their block to build "the best retirement facility in the country".

Our investment will strengthen the company and allow it to progress towards completion of the village over the next few years.

We also bring several other assets to the table through our experience in managing large infrastructure assets with long term investment horizons and our knowledge and skill in the technology industry, particularly in the area of monitoring and response services for aged care residents.

New Zealand's population of over 65s is expected to reach 1.29m by 2038 with more than 378,000 seniors over the age of 85 by 2063. This investment will not only allow us to enter the growing and profitable aged care market, it will also give us the ability to deliver added value to the Country Club and its residents through our market leading Securely products and services.

Our aim is to put Quail Ridge Country Club at the forefront of technology use within New Zealand's retirement village sector.

CONNECT 8

In 2018 we made the decision to invest in a joint venture opportunity with Spark, selling our subsidiary Sky Communications Limited to Spark's wholly owned subsidiary, Connect 8, and buying a 50% stake in the much larger Connect 8 business.

This joint venture investment consolidated Connect 8's position as New Zealand's leading experts of buried infrastructure (including fibre) contracting services and immediately delivered significant returns to both shareholders, with future upside potential in the water infrastructure sector and with new customers such as PowerCo and Airways.

The year to 31 March 2020 has been a more challenging period for Connect 8 due to softer conditions in the contracting market. Despite this, the business was able to complete several key projects throughout the year, including:

- Major upgrades to the Spark mobile network in time for the Rugby World Cup – the first time in New Zealand that a major sporting event had been delivered via a streaming platform (Spark Sport). The project included New Zealand's largest roadside greenfield cell site deployment and the largest LTE (Long Term Evolution) upgrade project in 2019.
- Delivering a multi-operator digital DAS project in New Zealand in 2019 at the country's largest shopping centre - the first digital DAS to be shared by all operators. More than 150 remote units provided the three telecom operators with 3G and 4G services across 4 bands with MIMO performance.
- Rural Connectivity Group (RCG) has engaged Connect 8 to bring 4G mobile and wireless broadband coverage to rural NZ households. These are new sites delivering end to end turnkey solutions starting from site design, civil build, TI (Tech Installation), integrations through to drive testing.
- Working with Northpower to deliver a solution for the undergrounding of Transpower's 220kV A&B WKM-OTA transmission lines at Flatbush, Manakau in South Auckland. This involved trench work, installation of ducting, thermal backfill and concrete capping, and the installation of ten cable bays.

Looking ahead the business is well positioned to generate strong revenues for several years ahead.

The company has recently secured projects with Huawei and 2degrees, Airways and PowerCo – all new customers for Connect 8. These projects will see cabinet modernisation and LTE upgrades delivered across 104 sites over a six-month period. Work has also commenced on a large fibre optic cable laying projects at Kaikoura, and a significant mobile roll-out for Spark.

FUTURE GROWTH

Prior to the emergence of the Covid-19 pandemic, the local economy was experiencing solid growth, particularly in the Horowhenua region where most economic indicators were trending above the national averages.

Today, the impact of Covid-19 on economic growth is uncertain, although this unprecedented event will have both economic and societal ramifications for New Zealand for many years to come.

Economists are predicting a two-year period of consolidation, even with the government's expected substantial fiscal stimulus. Business losses, widespread unemployment and falling house prices are expected to lead to poorer households and reduced consumer spending as a result. Economic activity is forecast to contract and business capex to fall sharply.

However, while the New Zealand economy is expected to deteriorate markedly, the Kapiti and Horowhenua regions are well placed to emerge from the pandemic in good shape. This is largely due to a low reliance on international tourism and education, and our strong local primary and food production sectors.

Expected government stimulus packages including large investments in social housing and infrastructure, combined with existing large-scale roading projects across the region, are expected to soften the impact on the local economy. Meanwhile our relative lower cost property and labour markets will make the region an attractive investment proposition as the economy begins to move again.

As a critical infrastructure provider and a large local employer, our own activity and growth is a significant contributor to the regional economy. We will continue to invest in smart technologies that enable better decision making, communication and management of assets.

We will continue to implement our growth strategy across the Group, seeking acquisition and investment opportunities that complement our core capabilities, particularly in related infrastructure, while continuing to deliver organic growth from our existing businesses.

And we will continue to work closely with the councils and businesses throughout our region to support and attract business growth and development.

Aside from the impact from the Covid-19 pandemic, the regulatory environment and the Government's recent changes to the network pricing regime are expected to place pressure on operational performance and revenue and challenge the Group's performance over the coming year.

But despite these headwinds, the Electra Group remains in great shape to face the challenges ahead.

The underlying performance of our core network business, the changes we are implementing within our subsidiary businesses and the growth strategy we are undertaking has the Group well positioned to navigate our path through 2020 and beyond.

As always, our first priority is to focus on delivering a safe and reliable electricity supply to everyone connected to our network, with the flexibility and capacity to meet both current and future demand and needs, while maximising the level of sales discount we can return to the consumers connected to the Electra network.

CORPORATE GOVERNANCE


Electra
EMPOWERING YOUR FUTURE

Directors' Statutory Report

The Directors take pleasure in presenting their Report and financial statements of Electra Limited and Group for the year ended 31 March 2020.

Principal activities

The Group's principal activities include the ownership of energy distribution networks, contracting, monitoring services and investments servicing the energy sector.

Group results and distributions	**2020**	2019
	$000	$000
Continuing operations		
Operating revenue	**46,380**	50,937
Other expenses	**(50,439)**	(49,711)
Share of profit in joint venture	**93**	1,294
Profit before tax	**(3,966)**	2,520
Income tax (expense)	**1,224**	(379)
Net profit for the year from continuing operations	**(2,742)**	2,141
Discontinued operations		
Profit / (loss) for the year from discontinued operations	**-**	2,417
Profit for the year	**(2,742)**	4,558
Other movements through retained earnings	**41**	10
Dividend	**(330)**	(300)
Retained earnings brought forward	**78,005**	73,737
Retained earnings carried forward	**74,974**	78,005

Directors' interests

Directors have declared interests in transactions with the Company during the year as set out in note 21 of these financial statements.

Directors have no direct interest in equity securities issued by the Group. Directors may be beneficiaries of Electra Trust, which holds the shares in the Company for end-customers of the day.

Directors

At the annual meeting held on 26 July 2019, Messrs Stephen Armstrong and Scott Houston were appointed as Directors to the Electra Limited Board.

In accordance with the Constitution of the Company Mrs Shelly Mitchell-Jenkins and Mr Chris Dyhberg retire by rotation at the annual general meeting of the company. Mrs Mitchell-Jenkins and Mr Dyhberg being eligible, offer themselves for re-election.

Mr Alan McCauley ceased to be a Director of Electra on 6 December 2019.

Use of Company information

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

Auditor

Silvio Bruinsma of Deloitte Limited was appointed as Auditor on behalf of the Auditor-General in accordance with Section 45 of the Energy Companies Act 1992.

For and on behalf of the Board

Shelly Mitchell-Jenkins
Chair
16 June 2020

Michael Underhill
Director
16 June 2020

PERFORMANCE HIGHLIGHTS

The following performance measures are disclosed in accordance with the Commerce Commission Disclosure Regulations for Electricity Distribution Companies and the company's 2019/20 Statement of Corporate Intent.

Financial	2020	2019	2018
Total revenue ($000)	**46,380**	50,937	44,228
Revenue from discontinued operations	**-**	541	11,481
Discount issued ($000) excl GST	**8,000**	7,900	7,700
Profit (after tax) ($000) *	**(2,742)**	4,558	3,739
Total assets ($000)	**275,428**	236,357	216,877
Total shareholders' funds ($000)	**163,571**	145,109	141,085
Shareholders' funds to total assets	**59%**	61%	65%
Net asset backing per share	**$6.69**	$5.93	$5.77
Network – Parent			
GWh sold (GWh)	**415.0**	416.0	405.2
Loss ratio	**7.73%**	6.90%	8.16%
Load factor	**51%**	50%	48%
Capacity utilization	**30%**	31%	33%
Maximum demand (MW)	**101**	102	104
Circuit kilometres (kms)	**2,323**	2,289	2,276
Transformer capacity (kVA)	**336,815**	335,505	332,374
Supply area (sq kms)	**1,628**	1,628	1,628
Operating costs per kilometre	**$5,603**	$5,305	$5,398
Capital expenditure cost per kilometre**	**$10,914**	$5,065	$5,486
Consumer Information - Parent			
Number of consumers	**45,366**	44,987	44,593
Average kWh sales per consumer	**9,150**	9,249	9,127
Operating costs per consumer	**$288**	$271	$277
Capital expenditure cost per consumer**	**$561**	$259	$281
Discount issued per consumer (incl. GST) (Average)	**$203**	$202	$199
Network Reliability - Parent			
System Average Interruption Duration Index (SAIDI)***	**94.9**	89.0	121.7
System Average Interruption Frequency Index (SAIFI)****	**1.87**	1.26	2.08
Consumer Average Interruption Duration Index (CAIDI)*****	**50.8**	70.6	58.5
Faults per 100km line (number)	**21.4**	16.8	15.7
Personnel - Group: No. of employees			
- Electra Limited	**113**	111	103
- Electra DNZ Limited	-	-	-
- Electra Generation Limited	**1**	1	-
- Electra Services Limited	**61**	67	31
- Sky Communications Limited	**-**	-	31

** Includes goodwill impairment cost of 2020: $nil (2019: $nil and 2018: ($0.2m))*

*** Disclosed Total Capital Expenditure per kilometre and per consumer for the 2020 year has increased due to a one-off adjustment required to include Network Service Delivery assets and Right of Use assets into our Regulatory Asset Base (RAB). This adjustment comprised $7.4m. The Network capital expenditure per kilometre and per consumer is $6,760 and $348 respectively.*

**** The total number of minutes of interruption the average customer experiences*

***** How often the average customer experiences an interruption*

****** The average time required to restore service for a single outage*

FINANCIAL STATEMENTS

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for the Audited Financial Statements

The Group Consolidated Statement of Comprehensive Income for the Year Ended 31 March 2020

Continuing operations*	Note	2020 $000	2019 $000
Revenue			
Revenue	1	**45,989**	49,757
Interest income		**43**	385
Other income		**348**	795
Total operating revenue and income		**46,380**	50,937
Expenses			
Interest expense	14	**(1,977)**	(1,509)
Other expenses	2	**(48,462)**	(48,202)
Total operating expenses		**(50,439)**	(49,711)
Share of profit in joint venture		**93**	1,294
Profit before tax from continuing operations		**(3,966)**	2,520
Income tax benefit / (expense)	4	**1,224**	(379)
Profit / (loss) for the year from continuing operations		**(2,742)**	2,141
Discontinued operations			
Gain on disposal of operations	3	**-**	2,505
Earnings for the year from discontinued operations	3	**-**	(88)
Profit for the year		**(2,742)**	4,558
Other comprehensive income			
Gain on asset revaluation	5	**30,023**	-
(Loss) on disposal of revalued assets		**(132)**	(330)
Income tax benefit relating to components of other comprehensive income	4	**(8,357)**	96
Other comprehensive (loss) for the year net of tax		**21,534**	(234)
Total comprehensive profit / (loss) for the year net of tax		**18,792**	4,324

***Discontinued operations have been separated out. There were no discontinued operations in the current year. Refer to note 3 for further detail.*

The notes on pages 58 to 77 form part of these financial statements.

The Group Consolidated Statement of Changes in Equity for the Year Ended 31 March 2020

	Note	Issued Capital	Asset Revaluation Reserve	Retained Earnings	Attributable to owners	Total
		$000	$000	$000	$000	$000
Balance at 1 April 2018		**18,000**	**49,348**	**73,737**	**141,085**	**141,085**
Profit / (loss) for the year		-	-	4,558	4,558	4,558
Disposal of revalued assets		-	(330)	-	(330)	(330)
Tax benefit relating to revalued assets		-	96	-	96	96
Total comprehensive profit / (loss) for the year		**-**	**(234)**	**4,558**	**4,324**	**4,324**
Transfer to retained earnings		-	(10)	10	-	-
Dividends paid	12	-	-	(300)	(300)	(300)
Balance at 31 March 2019		**18,000**	**49,104**	**78,005**	**145,109**	**145,109**
Balance at 1 April 2019		**18,000**	**49,104**	**78,005**	**145,109**	**145,109**
Profit for the year		**-**	**-**	**(2,742)**	**(2,742)**	**(2,742)**
Revaluation of assets movement		**-**	**30,023**	**-**	**30,023**	**30,023**
Disposal of revalued assets		**-**	**(132)**	**-**	**(132)**	**(132)**
Tax benefit relating to revalued assets		**-**	**(8,357)**	**-**	**(8,357)**	**(8,357)**
Total comprehensive profit / (loss) for the year		**-**	**21,534**	**(2,742)**	**18,792**	**18,792**
Transfer to retained earnings		-	**(41)**	**41**	-	-
Dividends paid	12	-	-	**(330)**	**(330)**	**(330)**
Balance at 31 March 2020		**18,000**	**70,597**	**74,974**	**163,571**	**163,571**

The notes on pages 58 to 77 form part of these financial statements.

The Group Consolidated Statement of Financial Position as at 31 March 2020

	Note	2020	2019
ASSETS		**$000**	$000
Non-current assets			
Property, plant and equipment	5	**242,542**	204,697
Goodwill and intangible assets	6	**8,704**	9,320
Finance receivables	8	**733**	432
Right of use assets*	14	**4,008**	-
Investments	18	**1,721**	-
Investment in joint venture	19	**11,387**	11,294
Total non-current assets		**269,095**	225,743
Current assets			
Cash and cash equivalents		**1,145**	1,405
Receivables and prepayments	7	**4,354**	5,575
Finance receivables	8	**-**	1,568
Inventories and work in progress	9	**834**	566
Investment	18	**-**	1,500
Total current assets		**6,333**	10,614
Total assets		**275,428**	236,357
LIABILITIES			
Non-current liabilities			
Debt finance	17	**42,718**	34,960
Lease liability*	14	**3,864**	-
Deferred tax liability	4	**39,720**	32,995
Total non-current liabilities		**86,302**	67,955
Current liabilities			
Debt finance	17	**18,342**	17,810
Trade and other payables	10	**6,954**	5,483
Lease liability*	14	**259**	-
Total current liabilities		**25,555**	23,293
Total liabilities		**111,857**	91,248
Net assets		**163,571**	145,109
EQUITY			
Share capital	11	**18,000**	18,000
Reserves		**70,597**	49,104
Retained earnings		**74,974**	78,005
Total equity		**163,571**	145,109

**New balance sheet items for the current year required by the adoption of a new accounting standard for leases (NZ IFRS 16).*

The Board of Electra Limited authorised these financial statements for issue on 16 June 2020.
For and on behalf of the Board

Shelly Mitchell-Jenkins
Chair

Michael Underhill
Director

The notes on pages 58 to 77 form part of these financial statements.

The Group Consolidated Statement of Cash Flows for the Year Ended 31 March 2020

	Note	**2020**	2019
		$000	$000
Cash flows from operating activities			
Cash was provided from:			
Receipts from customers		**46,578**	50,759
Finance receivables		**1,700**	-
Other interest received		**10**	6
		48,288	50,765
Cash was applied to:			
Payments to suppliers and employees		**(34,447)**	(35,882)
Interest paid	14	**(1,934)**	(1,377)
Tax paid		**(121)**	(1,103)
		(36,502)	(38,362)
Net cash flows from operating activities	16	**11,786**	12,402
Cash flows from investing activities			
Cash was provided from:			
Sale of property, plant and equipment		**147**	154
Proceeds from sale of business		**-**	3,192
		147	3,346
Cash was applied to:			
Purchase of property, plant and equipment and intangible assets		**(19,622)**	(15,117)
Capitalised interest on construction of property, plant and equipment	5	**(82)**	(70)
Purchase of business		**-**	(4,855)
Purchase of investments	18	**(221)**	-
Purchase of investment in joint venture		**-**	(10,000)
		(19,925)	(30,043)
Net cash flows to investing activities		**(19,778)**	(26,697)
Cash flows from financing activities			
Cash was provided from:			
Loans raised		**8,290**	14,570
		8,290	14,570
Cash was applied to:			
Payment of dividends	12	**(330)**	(300)
Principal reduction in lease liability	14	**(228)**	-
		(558)	(300)
Net cash flows from financing activities		**7,732**	14,270
Net increase / (decrease) in cash and cash equivalents held		**(260)**	(24)
Add opening cash and cash equivalents brought forward		**1,405**	1,429
Ending cash and cash equivalents carried forward		**1,145**	1,405

The notes on pages 58 to 77 form part of these financial statements.

Notes to the consolidated financial statements for the year ended 31 March 2020

Statement of Accounting Policies

Reporting Entity

Electra Limited (the 'Company' or 'Parent') is a for-profit entity incorporated in New Zealand. The Company has its head office in Levin. The Company operates primarily in the field of electricity distribution and as a holding company for other investments.

The 'Group' for financial reporting purposes comprises of Electra Limited (Parent) and its fully owned subsidiaries. The ultimate parent of the Group is the Electra Trust.

Basis of Preparation

These financial statements have been prepared in accordance with the requirements of the Companies Act 1993, the Financial Reporting Act 2013 and the Energy Companies Act 1992. The financial statements have also been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). They comply with the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and with International Financial Reporting Standards (IFRS).

Basis of Measurement

The financial statements have been prepared on the basis of historical cost except for the revaluation of certain non-current assets.

Separate accounting policies are outlined below and in the notes.

Cost is based on the fair value of the consideration given in exchange for assets.

The financial statements have been prepared in New Zealand dollars (NZD), rounded to the nearest thousand, as both the functional and presentation currency.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

Critical Accounting Estimates and Judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

Estimates and underlying assumptions are based on historical experience and other factors, as appropriate to the circumstances, and are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised and in any future years affected.

Areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed within the specific note as shown below:

Area of Estimate or Judgement		
Estimation of electricity distribution revenue	Note 1	Revenue
Revaluation and impairment review	Note 5	Property, plant and equipment
Impairment of goodwill	Note 6	Goodwill and intangible assets
Provision for doubtful debts	Note 7 + 8	Trade & Finance receivables
Determination of lease terms	Note 14	Leases

Estimates are designated by this symbol in the notes to the financial statements: E

Significant Accounting Policies

The significant accounting policies which are pervasive throughout the financial statements are set out below. Other significant accounting policies which are specific to certain transactions or balances are set out within the particular note to which they relate and are designated by the following symbol: P

Basis of Consolidation
The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the consolidated entity, being the parent entity, and its subsidiaries as defined in NZ IAS 27: 'Consolidated and Separate Financial Statements'.

The consolidated financial statements include the information and results of each subsidiary from the date on which the Company obtains control and until such time as the Company ceases to control the subsidiary.

In preparing consolidated financial statements, all intercompany balances and transactions, and unrealised profits arising within the consolidated entity are eliminated in full.

Comparatives may have deviated due to changes in classification.

Goods and Services Tax (GST)
Revenues, expenses, cash flows, liabilities and assets are recognised net of the amount of GST, except for receivables and payables which are recognised inclusive of GST. Where GST is not recoverable as an input tax it is recognised as part of the related asset or expenses. Cash flows in respect of payments to and receipts from the Inland Revenue Department are shown net in the Consolidated Statement of Cash Flows.

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

Investments in Joint Ventures
A joint venture is a joint arrangement whereby the parties have joint control of the arrangement and have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of parties sharing control.

The results and assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate or joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of profit or loss and other comprehensive income of the joint venture.

Changes in Accounting Policy
On 1 April 2019 the following standards were adopted: (i) NZ IFRS 16: Leases

Adoption of NZ IFRS 16: Leases
The Group has applied NZ IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under NZ IAS 17. The details of accounting policies under IAS 17 are disclosed separately if they are different from those under NZ IFRS 16. The standard has not had a material impact on the Group's profit and loss but has introduced new line items into the balance sheet. Although the nature of cash flows relating to leases are restated under NZ IFRS 16 there has not been any impact on the Group's actual cash outflow.

NZ IFRS 16 provides the principles an entity shall apply to report useful information to users of financial statements, about the nature, amount, and timing in relation to the Group's lease commitments. A requirement of NZ IFRS 16 is to provide more extensive disclosure about the Group's lease commitments and further information in relation to the adoption of NZ IFRS 16: Lease is included in note 14.

Impairment of Assets
The Group reviews the carrying value of its tangible assets at balance date to determine whether there is any indication that the assets may have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash generating unit (CGU) to which the asset belongs.

The Group considers that the electricity network represents a single cash generating unit for the purposes of impairment assessment, and the individual subsidiaries are cash generating units as they each derive their own cash flows.

Goodwill and other intangible assets are tested for impairment annually and whenever there is an indication that the asset may be impaired. An impairment of goodwill is not subsequently reversed.

The recoverable amount is the higher of fair value (less the costs to sell) 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 which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, then the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the Consolidated Statement of Comprehensive Income immediately unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease. A reversal of an impairment loss is recognised in the Statement of Comprehensive Income, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

1 REVENUE

Revenue comprises the fair value for the sale of goods and services, excluding GST.
Specific accounting policies are as follows:

Distribution and recoverable costs revenue
Recognised at the fair value of services provided, these revenue streams relate to the provision of distribution services for electricity. Prices are regulated, and customers are charged through a mix of fixed charges which are recognised on a straight-line basis, and variable charges which are recognised based on the volume of distribution services provided. Consistent with NZ IFRS 15, this revenue is recognised over time based on an output method as the service is delivered to match the pattern of consumption. Recoverable costs relate to transmission charges paid to Transpower and embedded generators providing transmission services to the Group.

The Company invoices its customers (predominantly electricity retailers) monthly for electricity distribution services on an estimation of usage based on certain metering data from electricity retailers. As final wash-up metering data is not available for periods in excess of twelve months, it is possible that the final amounts payable or receivable may vary from that calculated.

Discount to customers
In February each year the Group credits the customers of the network an annual discount. This discount is made up of a fixed and variable consideration based on the customer's volume of distribution services consumed over the previous 12 months.

Contracting revenue
The Group provides network contracting services to third parties. Such contracts are entered into before work commences. Revenue from contracting is recognised over time on a cost–to–cost method, i.e. based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. The Group consider that this input method is an appropriate measure of the progress towards complete satisfaction of these performance obligations under IFRS 15.

Transfer of assets from customers
Comprises revenue from assets acquired from customers where the consideration paid is below the fair value of those assets. The revenue recognised is the difference in the fair value and the consideration paid. This is recognised at a point in time, when ownership of the assets is vested to the Group.

Electricity revenue
The Group generates and sells electricity to a third party. The price of each unit of electricity generated is based on the wholesale spot price market. Revenue is recognised over time as the benefits are transferred to the customer.

Alarm monitoring
The Group provides a monitoring and response service for security and medical alarms. Customers are charged a monthly fee which includes two major performance obligations; monitoring of the alarm and response. For a number of alarms, a lease portion will be included if the customer does not retain ownership of the monitoring device. All obligations are recognised over time as Alarm Monitoring revenue as the customer receives the benefit of the monitoring service.

Other revenue primarily comprises of:

Alarm sales
For alarm sales, the Group recognises revenue at a point in time when the customer takes possession of the alarm. The amount of revenue recognised sale of alarms is the consideration received for the transfer of ownership of the associated alarm.

Alarm technical services
The Group provides technical services to install and service alarms. Contracts do not extend past one day, due to this nature of the contract revenue is recognised at a point in time immediately after the contract is complete.

Revenue*

	2020 $000	2019 $000
Distribution revenue	33,225	33,050
Discount to customers	(8,000)	(7,900)
Pass through and recoverable cost revenue	10,433	10,898
Transfer of assets from customers	997	1,450
Contracting revenue	2,512	3,318
Electricity revenue	423	2,605
Alarm monitoring	5,182	4,767
Other revenue	1,217	1,569
	45,989	49,757

* *Discontinued operations have been separated out. There were no discontinued operations in the current year.*

2 OTHER EXPENSES*

	2020 $000	2019 $000
Transmission charges	**10,433**	10,898
Remuneration of auditors	**212**	215
Bad debts	**31**	164
Change in provision for doubtful debts	**(449)**	(86)
Depreciation and amortisation expenses	**13,069**	11,979
Impairments	**-**	-
Employee benefits expense	**11,335**	9,481
Inventory expense	**3,237**	4,653
Contractors	**1,639**	1,646
Vehicle expenses	**779**	472
Other expenses	**8,176**	8,780
	48,462	48,202

Remuneration of auditors*

	2020 $000	2019 $000
Audit of the financial statements	**159**	155
Audit related services	**53**	60
	212	215

Audit related services comprise the review of Electra Limited's regulatory disclosures in accordance with the Electricity (Information Disclosure) Requirements under Part 4 of the Commerce Act 1986 and amendment notices.

**Discontinued operations have been separated out. There were no discontinued operations in the current year. Refer note 3 for audit fees relating to discontinued operations.*

3 DISCONTINUED OPERATIONS

On 4 May 2018, the Group entered into a sale agreement to dispose of the telecommunications business of Sky Communications Limited. The disposal of the telecommunications business is consistent with the Company's long-term policy to focus its activities in the electricity networks and alarm monitoring business. The disposal was completed on 18 May 2018, on which date control of the telecommunications business passed to the acquirer.

Analysis of the profit for the year from discontinued operations

The result of the discontinued operations included in the profit for the year are set out below. The comparative profit and cash flows from discontinued operations have been represented to include those operations classified as discontinued in the current year.

Profit / (loss) for the year from discontinued operations	**2020 $000**	2019 $000
Revenue	**-**	541
Other gains	**-**	(1)
	-	540
Expenses*	**-**	(662)
Profit / (loss) before tax	**-**	(122)
Attributable income tax expense	**-**	34
Earnings for the year from discontinued operations	**-**	(88)
Gain on disposal of operation	**-**	2,505
Profit / (loss) for the year from discontinued operations	**-**	2,417
Cash flows from discontinued operations		
Net cash inflows from operating activities	**-**	633
Net cash inflows / (outflows) from investing activities	**-**	(4)
Net cash (outflows) / inflows from financing activities	**-**	-
Net cash (outflows)	**-**	**629**

**Audit fees amounting to $5k are included in Expenses for 2019*

4 TAX

Current tax is based on the net profit for the year adjusted for non-deductible expenditure and non-assessable income, plus any adjustments to income tax payable in respect of prior years. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by the reporting date. Current tax for the current and prior years is recognised as a liability (or asset) to the extent that it is unpaid or refundable.

Deferred tax is accounted for in accordance with IFRS, which requires that the full impact of accounting adjustments, including revaluations are accounted for in calculation of the total liability.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax is recognised as an expense or income in the Consolidated Statement of Comprehensive Income, except when it relates to items credited or debited directly to equity, in which case the current or deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination in which case it is taken into account in the determination of goodwill or excess.

Income Tax	2020 $000	2019 $000
Profit before tax from continuing operations	**(3,966)**	2,520
Tax @ 28%	**(1,110)**	706
Tax effect of:		
Permanent differences	**245**	(345)
Prior year adjustments		
Taxable allocation of partnership income	**291**	(31)
Other tax adjustments	**77**	(49)
Losses carried forward	**(727)**	-
Tax expense from continuing operations	**(1,224)**	379
Tax expense comprised of:		
Current tax expense	**(319)**	787
Deferred tax benefit*	**(905)**	(408)
Total tax expense from continuing operations	**(1,224)**	379

**Excluding deferred tax expense from discontinued operations of 2020: nil (2019: nil)*

Deferred Tax

	Opening Balance $000	Charged to income $000	Losses Carried Forward $000	Charged to Other Comprehensive Income $000	Acquisitions / disposals $000	Closing Balance $000
Net deferred tax liabilities						
Provisions	288	(41)	-	-	-	247
Doubtful debts	332	(270)	-	-	-	62
Property, plant and equipment	(32,008)	899	-	(8,357)	-	(39,466)
Intangibles	(1,607)	317	-	-	-	(1,290)
Losses carried foward	-	-	727	-	-	727
As at 31 March 2020	**(32,995)**	**905**	**727**	**(8,357)**	**-**	**(39,720)**
Provisions	172	116	-	-	-	288
Doubtful debts	356	(24)	-	-	-	332
Property, plant and equipment	(32,296)	(16)	-	96	208	(32,008)
Intangibles	(457)	332	-	-	(1,482)	(1,607)
Sale of business	(9)	-	-	-	9	-
As at 31 March 2019	**(32,234)**	**408**	**-**	**96**	**(1,265)**	**(32,995)**

Imputation credit account	2020 $000	2019 $000
Closing balance	**16,277**	16,127

5 PROPERTY, PLANT AND EQUIPMENT

The electricity distribution network is valued at fair value. Fair value is determined on the basis of a periodic independent valuation prepared by external valuers, based on an income (present value) approach. The fair values are recognised in these consolidated financial statements of the Group and are reviewed at the end of each reporting period to ensure that the carrying value of the electricity distribution network is not materially different from fair value. Consideration is given as to whether the assets are impaired.

All other land and buildings, property, plant and equipment assets are accounted for at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. The cost of assets constructed by the Group includes the cost of materials and direct labour and an allowance for overheads.

Any revaluation increase arising on the revaluation of land and buildings and the electricity distribution network is credited to the asset revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense in profit or loss, in which case the increase is credited to the Consolidated Statement of Comprehensive Income to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of land and buildings and the electricity distribution network is charged as an expense in the Consolidated Statement of Comprehensive Income to the extent that it exceeds the balance, if any, held in the asset revaluation reserve relating to a previous revaluation of that asset.

Depreciation is provided on plant, property and equipment, including freehold buildings but excluding land.

Depreciation on revalued buildings and the electricity distribution system is charged to the consolidated Statement of Comprehensive Income. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus remaining in the asset revaluation reserve, net of any related deferred taxes, is transferred directly to retained earnings.

Depreciation is calculated for buildings and electricity distribution assets so as to write off the cost of each asset over its expected useful life to its estimated residual value. Other property, plant and equipment items are depreciated so as to expense the cost of the assets over their useful lives.

The following rates are used in the calculation of depreciation:

Category	
Distribution plant and equipment	1% - 50% straight line or 10% - 25% diminishing value
Other buildings at cost	2% - 36% straight line
Other plant and equipment	7.8% - 50% straight line or 10% - 39.6% diminishing value
Motor vehicles	10% - 33.3% diminishing value

	Distribution plant & equipment (incl. land & buildings) at valuation	Other land & buildings at cost	Other plant & equipment at cost	Motor vehicles at cost	Alarms held to be leased at cost	Other capital work in progress at cost	Total
Cost	$000	$000	$000	$000	$000	$000	$000
Balance as at 1 April 2018	217,517	3,887	9,288	7,367	-	1,739	239,798
Additions	1,292	107	1,183	1,216	1,442	12,280	17,520
Disposals	(717)	-	(1,527)	(1,228)	-	-	(3,471)
Transfer to / (from) capital work in progress	8,912	-	770	-	(242)	(9,440)	-
Balance as at 31 March 2019	**227,004**	**3,994**	**9,715**	**7,356**	**1,200**	**4,579**	**253,847**
Balance as at 1 April 2019	227,004	3,994	9,715	7,356	1,200	4,579	253,847
Additions	272	109	806	112	695	17,518	19,512
Disposals	(713)	-	(67)	(581)	-	-	(1,361)
Transfer to / (from) capital work in progress	17,084	-	-	939	-	(18,023)	-
Revaluation	(14,527)	-	-	-	-	-	(14,527)
Balance as at 31 March 2020	**229,120**	**4,103**	**10,454**	**7,826**	**1,895**	**4,074**	**257,471**

Depreciation and impairment losses	Distribution plant & equipment (incl. land & buildings) at valuation	Other land & buildings at cost	Other plant & equipment at cost	Motor vehicles at cost	Alarms held to be leased at cost	Other capital work in progress at cost	Total
Cost	$000	$000	$000	$000	$000	$000	$000
Balance as at 1 April 2018	(32,323)	(445)	(5,023)	(3,104)	-	-	(40,895)
Depreciation charge	(8,503)	(80)	(1,127)	(598)	-	-	(10,308)
Write back on disposals	181	-	1,195	676	-	-	2,052
Balance as at 31 March 2020	**(40,645)**	**(525)**	**(4,955)**	**(3,026)**	**-**	**-**	**(49,151)**
Balance as at 1 April 2019	(40,645)	(525)	(4,955)	(3,026)	-	-	(49,151)
Depreciation charge	(8,868)	(83)	(1,361)	(596)	-	-	(10,908)
Write back on disposals	157	-	17	405	-	-	579
Revaluation	44,550	-	-	-	-	-	44,550
Balance as at 31 March 2019	**(4,806)**	**(608)**	**(6,299)**	**(3,217)**	**-**	**-**	**(14,929)**
Carrying amounts							
Balance as at 31 March 2019	186,359	3,469	4,760	4,330	1,200	4,579	204,697
Balance as at 31 March 2020	**224,314**	**3,495**	**4,155**	**4,609**	**1,895**	**4,074**	**242,542**

E

Revaluation and impairment review

In carrying out the revaluation of the network distribution assets judgement was required in regards to the assumptions and estimates used in the valuation model.

The Group's distribution plant and equipment (shown in column one above but excluding land and buildings), such as poles, transformers and cables have undergone an independent fair value assessment as at 31 March 2020 by Richard Krogh from Energia Limited, using an income (present value) approach. This approach was considered to be the most appropriate valuation technique given the current electricity industry environment and the availability of input data. The review placed the value of the distribution assets (excluding land and buildings) within a range of $200.9m and $226.5m. The Group has adopted the mid-point of this valuation being $213.7m representing an increase of $30m.

P

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use.

	2020 $000	2019 $000
Capitalised borrowing costs	**82**	70
Average interest rate	**3.0%**	3.3%

6 GOODWILL AND INTANGIBLE ASSETS

Software - Computer software is capitalised as an intangible asset of finite life on the basis of the costs incurred to acquire and bring the software into service and it is amortised over its expected useful economic life on a diminishing value basis. Costs associated with improving and maintaining computer software programmes are recognised as expenses as incurred.

Goodwill - Goodwill representing the excess of the cost of acquisition over the fair value of identifiable assets, liabilities and contingent liabilities acquired, is recognised as an asset and is not amortised but is tested for impairment annually and whenever there is an indication that the goodwill may be impaired. Any impairment is recognised immediately in the Consolidated Statement of Comprehensive Income and not subsequently reversed.

Easements - Easements obtained in relation to access, construction and maintenance of electricity distribution system assets are capitalised as assets to the extent of survey, legal and registration costs and any lump sum payments made to landowners in exchange for certain rights. Such easements are capitalised and amortised over the duration of the agreement.

Customer lists - Customer lists acquired in a business combination are amortised on a straight-line basis over the period of their expected benefit, being their expected finite life of 5 years. During the year the expected finite life of security customer lists were reassessed to be 12.9 years. This has resulted in $300,000 less amortisation expense being recognised in the current year than previously.

Gross carrying amount	Software	Goodwill	Easements	Customer lists	Total
	$000	$000	$000	$000	$000
Balance as at 1 April 2018	5,701	10,038	255	**1,845**	18,728
Additions	808	-	-	5,292	6,232
Disposals	(197)	-	-	**-**	(1,218)
Balance as at 31 March 2019	**6,312**	**10,038**	**255**	**7,137**	**23,742**
Balance as at 1 April 2019	6,312	10,927	255	7,137	23,742
Additions	1,024	132	-	169	1,193
Disposals	-	(1,021)	-	**-**	-
Balance as at 31 March 2020	**7,336**	**10,038**	**255**	**7,306**	**24,935**
Accumulated amortisation and impairment losses					
Balance as at 1 April 2018	(3,475)	(10,151)	(82)	(215)	(13,923)
Amortisation expenses	(478)	-	(8)	(1,185)	(1,671)
Impairment	-	-	-	**-**	-
Disposals	150	1,021	-	**-**	1,171
Balance as at 31 March 2019	**(3,803)**	**(9,130)**	**(90)**	**(1,400)**	**(14,423)**
Balance as at 1 April 2019	(3,803)	(9,130)	(90)	(1,400)	(14,423)
Amortisation expenses	(677)	-	(8)	(1,132)	(1,817)
Impairment	-	-	-	**-**	-
Disposals	9	-	-	**-**	9
Balance as at 31 March 2020	**(4,471)**	**(9,130)**	**(98)**	**(2,532)**	**(16,231)**
Carrying amounts					
As at 31 March 2019	2,509	908	165	5,738	9,320
As at 31 March 2020	**2,865**	**908**	**157**	**4,775**	**8,704**

Impairment

Goodwill has been allocated at the cash generating unit (CGU) level for both Electra Generation Limited and Electra Services Limited to determine their respective carrying amounts. The recoverable amount of each subsidiary is based on its value in use, which is an income (present value) approach. If the recoverable amount is below the carrying amount then this would indicate potential impairment.

E

Determining whether there has been impairment in relation to goodwill requires an assessment of the value in use of the cash generating units with which the goodwill is associated. This is undertaken by estimating the future cash flows expected to arise and using a suitable discount rate to estimate the present value of the future cash flows.

Electra Generation Limited

No impairment has been recognised in the current or prior year. The cashflows are based on assumptions about the operation of the generation plant, including the spot price received for generated electricity as well as the plant's level of operating activity in proportion to the maximum capacity. The discount rate applied to the cashflows was 5.2%. The recoverable amount is sensitive to changes in this rate to the extent that If the discount rate were to increase to 5.4%, it would result in the recoverable amount falling below the carrying amount of the CGU. The total carrying amount of goodwill allocated to this CGU is $259,000.

Electra Services Limited

Electra engaged EverEdge Global, an independent valuer experienced in valuing similar businesses to determine the value in use. No impairment has been recognised in the current or prior year. The cashflows are based on financial budgets approved by the Board for a period of 3 years to 31 March 2023. Growth rates applied to revenue projections after 2023 are 23.5% geometrically declining to 3.3% by 2030. The discount rate applied to cashflows from core business operations was 9.5% and 14.5% for other operations. The recoverable amount is sensitive to changes in the discounts rates, growth rates and Earnings Before Interest, Tax, Depreciation and Amortisation margin. In the current environment the range of possible outcomes to the above assumptions is broad. If the discount rate applied to core business operations was greater than 13% it may cause the recoverable amount to fall below the carrying amount of the CGU.
The total carrying amount of goodwill allocated to the CGU is $649,000.

7 RECEIVABLES AND PREPAYMENTS

P

Receivables

Trade receivables are initially measured at fair value and are subsequently recognised at amortised cost less impairment using the effective interest method less any lifetime credit losses. All known bad debts are written off during the financial year.

	2020 $000	2019 $000
Trade receivables	**3,992**	4,330
Other receivables and accruals	**180**	1,166
Prepayments	**406**	350
	4,578	5,846
Less allowance for credit losses	**(225)**	(271)
	4,353	5,575

The Group's exposure to credit risk and impairment losses related to trade receivables are disclosed in Note 17: Financial Risk Management.

8 FINANCE RECEIVABLES

P **Finance receivables**

Finance receivables, comprising mortgage advances, are initially measured at fair value at trade date and are subsequently measured at amortised cost under the effective interest method plus any directly attributable transaction costs, less any lifetime expected credit losses.

Finance receivables include:
Impaired assets:

- 'Non-accrual loans' being loans where we do not expect to be able to collect all the amounts owing in terms of the contract and therefore a credit loss is required under NZ IFRS 9 (but is not a restructured asset).

- 'Assets acquired through security enforcement' being assets acquired in full or partial satisfaction of outstanding loans.

E A key area of estimation is the expected credit loss allowance reflecting the non-performance of the counterparties to finance receivables. A degree of estimation has been required to determine the level of current risk inherent within the loan. The historical loss experience is adjusted based on the current observable data and events and discounted future cash flow projections.

	2020 $000	2019 $000
Finance receivables	**733**	2,400
Allowance expected credit losses	**-**	(400)
Total finance receivables	**733**	2,000
Due for repayment		
Current	**-**	1,568
Non-current	**733**	432
Total	**733**	2,000

P **Bad debts and doubtful debts provisioning**

Finance receivables are written down, by way of a specific write-off, to their expected net collectable amounts with the amount written off or provided recognised as an expense in the Consolidated Statement of Comprehensive Income, comprising:

Specific provisions: these are raised when there is objective evidence (identified on a counterparty by counterparty basis) that an impairment loss has been incurred. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows using the original effective interest rate. The Company identifies impaired assets where the security has been repossessed and sold due to a breach of agreement. Also where the security has become damaged or written off.

If in a subsequent period the amount of a credit loss decreases and the decrease can be linked objectively to an event occurring after the write-down, the write-down or allowance is reversed through the Consolidated Statement of Comprehensive Income.

9 INVENTORIES AND WORK IN PROGRESS

Inventories are valued on the basis of the lower of cost and net realisable value. Cost is determined on the basis of weighted average of purchase costs. Due allowance is made for damaged and obsolete inventory. Work in progress comprises the cost of direct materials and labour together with direct overheads.

Net realisable value is the estimated amount the inventories are expected to realise in the ordinary course of business less an estimate of any costs to completion and applicable variable selling expenses.

	2020 $000	2019 $000
Inventory - Finished goods	**727**	547
Inventory - Work in progress	**107**	19
	834	566

Judgement has been exercised in assessing the level of any unrecoverable work in progress.

10 TRADE AND OTHER PAYABLES

Trade payables
Trade payables and other accounts payable are recognised at fair value when the Group becomes obliged to make future payments resulting from the purchase of goods and services. Trade payables are subsequently recognised at amortised cost.

Liabilities in respect of employee entitlements
Employee entitlements expected to be settled within the next 12 months are measured at the amounts expected to be paid when the obligations are settled. Liabilities made in relation to employee entitlements, which are not expected to be settled within 12 months, are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees to the Group up to the reporting date. In relation to retirement gratuities, the present value calculations also provide for the probability of the employees completing employment to the point of entitlement (retirement).

Liabilities include employee entitlements in relation to wages and salaries, annual leave, long service leave, retiring gratuities and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

	2020 $000	2019 $000
Trade payables	**4,260**	2,816
Other payables	**754**	1,038
Accruals	**525**	678
Liabilities in respect of employee entitlements	**1,415**	951
	6,954	5,483

Judgement has been exercised in calculating estimates for retiring gratuities.

11 SHARE CAPITAL

All shares rank equally with one vote attached to each fully paid share, have no par value and are issued and fully paid.

	2020	2019
	000	000
Number of shares		
Balance at beginning of year	24,465	24,465
Shares issued during the year	-	-
Balance at end of year	24,465	24,465
Fully paid ordinary shares	$000	$000
Balance at beginning of year	18,000	18,000
Shares issued during the year	-	-
Balance at end of year	18,000	18,000

12 DIVIDENDS

	2020	2019
	$000	$000
Dividends paid	330	300
Cents per share	1.35	1.23

Dividends were paid during the year to the Electra Trust. There is no proposed final dividend.
A dividend of $300,000 payable to the Electra Trust was declared on 8 May 2020.

13 COMMITMENTS

Capital commitments

At balance date, there was $731,000 commitments contracted for and approved by the Group (2019: $1,145,000).

	2020	2019
	$000	$000
Distribution network	543	860
Intangible assets	188	-
Inventories	-	285
	731	1,145

Distribution network expenditure will be incurred when the work is completed (estimated to be over the next 12 months).

14 LEASES

P **Operating Leases**

Lease liabilities are measured at the present value of their remaining lease payments, discounted at the rate implicit in the lease. Where this rate is not readily available the payments are discounted at the groups incremental borrowing rate. The weighted average rate applied is 6.81%. Right of use assets are initially recognised at the amount of the lease liability. The assets are subsequently depreciated using the straight-line method over the lease term.

The Group accounts for short term and leases of low value by applying paragraph 6 of NZ IFRS 16, which requires the cost to be spread over the lease term on a systematic basis.

During initial application, the group applied the following practical expedients offered under paragraph C10 of NZ IFRS 16:
- A single discount rate has been used where the right of use assets of a particular entity within the Group are similar in nature.
- Where the remaining lease term lease then 12 months at initial application the lease is treated as a short term lease.

E In determining the lease term, the Group applies judgement in deciding whether it is reasonably certain that an extension or termination option will be exercised.

Right of use assets	Land buildings & improvement $000	Vehicles $000	Other plant & equipment $000	Total $000
Opening net book value 1 April 2019	**-**	**-**	**-**	**-**
Movements on transition	4,091	-	17	4,108
Additions	45	191	7	243
Depreciation for the period	(299)	(33)	(10)	(342)
Balance as at 31 March 2020	**3,836**	**158**	**14**	**4,008**
Cost	4,135	191	24	4,350
Accumulated depreciation	(299)	(33)	(10)	(342)
Balance as at 31 March 2020	3,836	158	14	4,008

Lease liability maturity analysis	Minimum lease payments $000	Interest $000	Present value $000
Within 1 year	529	(270)	259
1 - 5 years	1,997	(872)	1,125
Beyond 5 years	3,788	(1,049)	2,739
	6,314	**(2,191)**	**4,123**
Lease expense included in profit and loss			
Short term leases			36
Low value assets			1
Interest on Liabilities			281
Total cash outflow in relation to leases			546

Transition to NZ IFRS 16	2020 $000
Operating lease commitments at 31 March 2019	**1,766**
Discounted using the incremental borrowing rate at 1 April 2019	**1,500**
Leases with less than 12 months remaining at initial application	**(6)**
Extension options reasonably certain to be exercised	**2,613**
Lease liability balance as at 1 April 2019	**4,108**

Prior year's leases accounted for under NZ IAS 17	2019 $000
No later then one year	**394**
Later than one year and not later than five years	**1,087**
Later than five years	**285**
	1,766

The majority of the lease commitments are for building accommodation. The remainder relate to vehicles and equipment. There are no contingent rents payable and all leases are subject to renewals at the election of the Group.

15 CONTINGENT LIABILITIES

The Group undertakes contracting works in their ordinary course of business, some of which may be subject to customer disputes. There is no indication that any liability with regard to disputes will crystallise in the foreseeable future

16 STATEMENT OF CASH FLOWS

Ⓟ **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, cash in banks (including bank overdrafts), demand deposits and other short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts (if any at year end) are shown within debt finance in current liabilities in the Consolidated Statement of Financial Position.

Cash flows are inflows and outflows of cash and cash equivalents.

Operating activities are the principal revenue-producing activities of the group and other activities that are not investing or financing.

Investing activities are the acquisition and disposal of long term assets and other investments not included in cash equivalents.

Financing activities are activities that result in changes in the size and composition of the contributed equity and borrowings of the Group.

	2020	2019
	$000	$000
Reported profit after tax	**(2,742)**	4,558
Adjustments for:		
Depreciation and amortisation	**13,069**	11,993
Doubtful debt provision movement	**(49)**	-
Bad debts written off and bad debts provision	**31**	-
Gain on sale of business operations	**-**	(2,505)
Non-cash revenue from assets transferred to the Group	**(997)**	(1,450)
Loss on sale of Property, Plant & Equipment	**488**	288
Tax expense recognised in profit or loss	**(1,224)**	345
Share of profit in Joint Venture	**(93)**	(1,294)
Other income derived from business acquisition	**-**	(238)
Movements in working capital:		
Increase in accounts payable and other provisions	**1,592**	126
Decrease in trade receivables	**833**	2,133
(Increase) / decrease in finance receivables	**1,267**	(500)
(Increase) / decrease in inventory and work in progress	**(268)**	465
Movements in working capital relating to business purchases / disposals	**-**	(416)
Income taxes paid	**(121)**	(1,103)
Net cash inflow from operating activities	**11,786**	12,402

17 FINANCIAL RISK MANAGEMENT

Ⓟ Debt and equity instruments are classified as either liabilities or equity in accordance with the substance of the contractual arrangement.

Interest and dividends are classified as expenses or as distributions of profit consistent with the Consolidated Statement of Financial Position classification of the related debt or equity instruments or component parts of compound instruments.

Financial assets and liabilities are not offset unless there is a legally enforceable right, or where required by a standard.

Credit risk

Credit risk is the potential that the counterparty to a financial transaction will fail to perform according to the terms and conditions of the contract, thus causing a loss.

Financial assets which potentially subject the Group to credit risk principally consist of bank balances, accounts receivable, finance receivables and other receivables and which the Group consider is covered within the general liquidity management.

The Group manages their principal credit risk by having Use of System Agreements with its major customers and performing credit evaluations on customers requiring advances.

The status of trade receivables as at reporting date is as follows:	**Gross 2020 $000**	**Impairment 2020 $000**	Gross 2019 $000	Impairment 2019 $000
Not past due	**3,385**	**-**	3,674	(1)
Past due 0 - 30 days	**47**	**-**	123	(11)
Past due 31 - 60 days	**47**	**(9)**	32	(6)
Past due more than 60 days	**513**	**(216)**	501	(253)
Total trade receivables	**3,992**	**(225)**	4,330	(271)

No interest is charged on trade receivables outstanding

Movement in impairment allowance for expected credit losses	**2020 $000**	2019 $000
Balance at beginning of year	**(271)**	(235)
Amount charged to the statement of comprehensive income	**(18)**	(86)
Provisions reversed	**28**	50
	(225)	(271)

The above maximum exposures are gross of any recognised provision for losses on these financial assets. No collateral is held on the above amounts. The trade receivables are within their contractual terms and are considered to be collectible.

In accordance with the Group's Treasury policy bank balances in short term deposits are made with registered banks. The registered banks currently have a credit rating of AA-.

Concentrations of credit risk

The Group has exposure to concentration of credit risk by having electricity retailer customers. This is managed as mentioned above through the Use of System Agreements.

Foreign currency risk

At balance date, the Group had entered into the following Forward Exchange Contracts expressed in New Zealand dollars. These contracts are expected to be settled within 3 months of balance date. The Group does not recognise hedge accounting on these contracts.

2020 Movement on exchange rate	Net exposure $000	Impact on pre-tax profit or (loss) $000
US Dollar	0	nil

2019 Movement on exchange rate	Net exposure $000	Impact on pre-tax profit or (loss) $000
US Dollar	285	nil

Interest rate risk

Liabilities

The interest rate risk exposure is limited to bank borrowings. The Company has no interest hedge contracts.

Fair values

The carrying amounts recorded in the Consolidated Statement of Financial Position are considered to be their fair values for all classes of financial instruments with the exception of bank borrowings and amounts which are not able to be determined because there is no available market data.

Borrowings

Borrowings are recorded initially at fair value net of any transaction costs. Borrowings are subsequently recognised at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in the Consolidated Statement of Comprehensive Income over the year of the borrowing using the effective interest method. Borrowings are classified as non current liabilities where the Group holds an agreement with the lender which includes the right to settle the liability in an accounting year at least 12 months after the balance date.

Borrowing costs are expensed using the effective interest method, except for the capitalised borrowing costs.

Interest rate risk profile of financial assets and liabilities

The interest rate risk profile of on-balance sheet financial assets and financial liabilities has been prepared on the basis of maturity or contractual repricing whichever is the earlier.

Financial instrument carrying values by category

As at 31 March 2020

	Int Rate %	Total $000	0-12 mths $000	1-2 years $000	3-5 years $000
Financial assets measured at amortised cost					
Cash and cash equivalents	1.00	1,145	1,145	-	-
Trade and other receivables		3,947	3,947	-	-
Finance receivables		733	-	733	-
Total financial assets measured at amortised cost		**5,825**	**5,092**	**733**	**-**
Financial assets measured at FVTPL					
Investments		1,721	-	-	1,721
Total financial assets measured at FVTPL		**1,721**	**-**	**-**	**1,721**
Financial liabilities					
Trade and other payables		6,954	6,954	-	-
Debt finance	2.54 - 4.50	61,060	18,342	24,703	18,015
Total financial liabilities at amortised cost		**68,014**	**25,296**	**24,703**	**18,015**

Movement in interest rates	1% Increase	1% Decrease
Impact on profit and loss from a 1% increase/decrease in interest rates	**(569)**	**569**

As at 31 March 2019

	Int Rate %	Total $000	0-12 mths $000	1-2 years $000	3-5 years $000
Financial assets					
Cash and cash equivalents	1.00	1,405	1,405	-	-
Trade and other receivables		5,225	5,225	-	-
Finance receivables		2,000	1,568	-	432
Total financial assets at amortised cost		**8,630**	**8,198**	**-**	**432**
Financial assets measured at FVTPL					
Investments		1,500	1,500	-	-
Total financial assets measured at FVTPL		**1,500**	**1,500**	**-**	**-**
Financial liabilities					
Trade and other payables		5,483	5,483	-	-
Debt finance	3.09 - 4.50	52,770	17,810	18,945	16,015
Total financial liabilities at amortised cost		**58,253**	**23,293**	**18,945**	**16,015**

Liquidity risk

Liquidity risk represents the risk that the Group may not have the financial ability to meet its contractual obligations. The Group evaluates its liquidity requirements on an ongoing basis. While total financial liabilities exceed total financial assets, facilities of $67m (2019: $59.85m) exist with the Bank of New Zealand, of which amounts are drawn down to cover shortfalls in liquidity. At balance date $61.1m had been drawn down (2019: $52.8m), $18.3m maturing within two months after balance date. On the 12th May 2020 the BNZ facility was repaid, with a new facility entered into with ANZ. The Group uses it's facility based on forecasted expectations in regards to it being able to meet its other obligations from operating cash flows and proceeds of maturing financial assets.

The following table outlines undiscounted cash flows including any accrued interest based on contractual maturities however actual repayments may differ. While most finance receivables are showing in the table with contractual maturities of 0-6 months it is expected some of these will be rolled over at the discretion of the Board.

Contractual maturity analysis
Financial instrument maturity values by category

As at 31 March 2020	Int Rate %	Total $000	On call $000	0-6 months $000	1-2 years $000	3-5 years $000
Financial assets						
Cash and cash equivalents	1.00	1,145	1,145	-	-	-
Trade and other receivables		3,947	-	3,947	-	-
Investment		-	-	-	-	-
Finance receivables		733	-	-	733	-
Total financial assets		**5,825**	**1,145**	**3,947**	**733**	**-**
Financial liabilities						
Trade and other payables		6,954	-	6,954	-	-
Debt finance	2.54 - 4.50	61,060	-	18,342	24,703	18,015
Total financial liabilities		**68,014**	**-**	**25,296**	**24,703**	**18,015**
As at 31 March 2019						
Financial assets						
Cash and cash equivalents	1.00	1,405	1,405	-	-	-
Trade and other receivables		5,225	-	5,225	-	-
Investment		1,500	-	1,500	-	-
Finance receivables		2,000	-	1,568	-	432
Total financial assets		**10,130**	**1,405**	**8,293**	**-**	**432**
Financial liabilities						
Trade and other payables		5,483	-	5,483	-	-
Debt finance	3.09 - 4.50	52,770	-	17,810	18,945	16,015
Total financial liabilities		**58,253**	**-**	**23,293**	**18,945**	**16,015**

Capital Management

The Group's capital includes share capital, asset revaluation reserves and retained earnings. The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Group recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The Group is subject to the following capital requirements and covenants:

(a) The Statement of Corporate Intent imposes a restriction that the Group will maintain shareholder funds at not less than 60% (2019:60%) of total assets.

(b) Bank Covenants

i. Ratio of EBIT (Group earnings before interest, taxation and customer discounts) to interest paid to be no less than 2.0 times.
ii. Annual Group Consolidated Statement of Financial Position and Group Consolidated Statement of Comprehensive Income to be provided within 120 days of balance date
iii. Interim accounts to be provided upon request
iv. Cash flow forecasts/budgets for the ensuing year to be provided to the bank upon request
v. Group equity to be maintained at no less than 35% of total tangible assets at all times.

The Group has complied with all the above banking covenants during the year. It is noted that the BNZ banking documentation is inconsistent, with the BNZ issuing a waiver in respect of the inconsistency to the extent required.

Fair Values

Fair value hierarchy

Financial instruments carried at fair value are classified by valuation method based on the following hierarchy:

Level 1: quoted price (unadjusted) in active markets for identical assets or liabilities
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The investment classified as a financial asset measured at fair value through profit and loss is the only financial instrument carried by the Group at fair value, with a Level 3 valuation method applied.

18 INVESTMENTS

Investments measured at FVTPL	Current **2020 $000**	2019 $000	Non Current **2020 $000**	2019 $000
Investment in Pulse Energy Alliance Partnership	**-**	1.500	**1,701**	-
Other investments	**-**	-	**20**	-
Total investments measured at FVTPL	**-**	1,500	**1,721**	-

The Group holds a 4.08% ownership in the Pulse Energy Alliance Partnership, a partnership which is involved in electricity retailing. The Group does not have significant influence over the Pulse Energy Alliance Partnership. There were no distributions of profits received from this investment in the year (2019: nil).

19 INVESTMENT IN JOINT VENTURE

The Group holds a 50% joint ownership in Connect 8 Limited, a business which is involved in contracting construction for the water, power and telecommunications sectors. The Group has joint control over Connect 8. There were no distributions of profits received from this investment in the year.

Summarised financial information for each of the Group's material joint ventures is set out below.

Connect 8 Limited	**2020 $000**	2019 $000
Opening carrying value of investment in Connect 8	**11,294**	-
Initial investment in joint venture	**-**	10,000
Share profits from joint venture	**93**	1,294
Carrying value of investment in Connect 8	**11,387**	11,294
Balance Sheet Information for Connect 8:		
Current assets	**10,342**	13,347
Non-current assets	**11,114**	11,637
Total assets	**21,456**	24,984
Current liabilities	**(5,510)**	(9,320)
Non-current liabilities	**-**	-
Total liabilities	**(5,510)**	(9,320)
Equity	**15,946**	15,664
Equity accounted earnings comprise		
Revenues - 100%	**34,705**	37,733
Profits from continuing operations - 100%	**186**	2,588
Profits from continuing operations - Group's share	**93**	1,294

20 INTERESTS HELD BY GROUP

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Subsidiaries
Subsidiaries are all those entities over which the Group has control.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after reassessment, the fair values of the identifiable net assets acquired exceed the cost of acquisition, the excess is credited to profit or loss in the period of acquisition.

Investments
Investments are recognised and derecognised on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned.

Name of entity	**Principal activities**	**Classification**	**2020**	2019
Electra DNZ Limited	Non Trading	Subsidiary	100%	100%
Electra Finance Limited	Financing	Subsidiary	100%	100%
Electra Generation Limited	Electricity Generation	Subsidiary	100%	100%
Electra Services Limited	Security Monitoring	Subsidiary	100%	100%
Horowhenua Wind Energy Limited	Non Trading	Subsidiary	100%	100%
Pulse Energy Alliance LP	Electricity Retailing	Investment	4%	4%
Connect 8 Limited	Telecommunications	Equity Investment	50%	50%
Linax Limited	Consumer Goods	Investment	7%	0%

The effective ownership and the voting interests in the above subsidiaries are the same.

All subsidiaries and investments have a balance date of 31 March and are incorporated in New Zealand, with the exception of Connect 8 Limited who has a date of 30 June.

21 TRANSACTIONS WITH RELATED PARTIES

Directors

Some of the Directors are also consumers of the Group's products and services at market prices.

During the year the group entered into consulting transactions at arms length with McCauley Consulting LP. Alan McCauley was both a partner in the partnership and a Director at the time the transactions took place. The value of the transaction was $77,000.

Connect 8

During the year the Group entered into a transaction with Connect 8 Limited, a joint venture between the Group and Spark. The transaction was for total consideration of $118,000.

Other related parties

During the year the Group entered into short term employment arrangements with close family members of key management personnel. The total value of these arrangements was $27,000 (2019: $21,000).

22 KEY MANAGEMENT PERSONNEL

The compensation of the Directors and Executives, being the key management personnel of the entity, is set out below:

	2020 $000	2019 $000
Short-term employee benefits	**1,925**	1,875
Defined contribution plans	**67**	75
Termination benefits	**-**	156
	1,992	2,106

Some of the above employees are provided with the use of a company motor vehicle not included in the above calculation.

23 SUBSEQUENT EVENTS

Covid-19

With the outbreak of the Covid-19 pandemic the impact on the Group's operations was considered. The pandemic is not expected to materially impact the ongoing operations of Electra Limited due to their status of being an essential service and the fact that there has been no material decrease in output or operations during the government alert levels. The valuation of network assets incorporates the impact of Covid-19 and this was not significant. Further, there has been no change to assessments of expected credit loss as Electra's customers are retailers, rather than direct end users.

Electra Services Limited sales growth forecasts may be negatively impacted in the coming 12 months in light of the Covid-19 pandemic and its effects on the aged sector sales channel, which is the majority of Electra Services' target market. There is not expected to be a material impact to existing customers of Electra Services Limited.

Loan facility refinance

On the 12th May 2020 the Group repaid the outstanding loan facility held with BNZ and entered into a new facility with ANZ. The maturity date of the new facility is the 30th April 2023.

Acquisition of Quail Ridge

On 16 December 2019, the Group signed an agreement to purchase 49.9% of the shares in Quail Ridge Country Club and 49.9% of the shares in Kerikeri Falls Investments, the Quail Ridge development company, for up to $12,000,000 depending on the level of development at the end of the 2021/2022 financial year, with ownership transferred on the entry payment of $1,000,000. The level of development is evaluated through the number of completed ORA (Occupation Right Agreement) units at specific times over the next two years.

Taking this equity interest in Quail Ridge will expand the Group's investment in services and infrastructure aimed at the aged sector of New Zealand and partially meet its expansion targets as outlined in the Statement of Corporate Intent.

Consideration

Initial payment, 1 May 2020	1,000,000
Subsequent payments in 2020/2021	3,500,000
Payments in 2021/2022	7,500,000
Total maximum consideration	12,000,000

24 OPERATIONAL TARGETS

Four key value drivers have been identified linking the Group's strategy to the operational targets and measures that are critical to achieving the Group's strategy. These drivers are Revenue, Profit, Assets and People and the performance against key targets set in the Statement of Corporate Intent are evaluated below:

1) Asset Targets

Service Standards

Electra has service performance targets for its electricity lines business, such as responding to service requests within a specified time. These targets assist in driving continuous improvement and the measurement here is the number of non-performance to service standards where the specified time is exceeded. This target was not met in 2020 due to multiple faults.

	Actual	Target
Number of non-performance to service standards	2,363	<384

Capital Ratio

Electra aims to maintain consolidated shareholders' funds at not less than 60% of consolidated total assets, this target was not met in 2020 due to Covid 19 impacts upon valuations.

	Actual	Target
Consolidated Shareholders' Funds to Total Assets percentage	59%	>60%

Network Reliability

Electra aims to uphold a level of electricity network reliability (as defined by the Electricity Distribution Information Disclosure Determination 2012). These include factors of SAIDI (average duration of supply interruptions per connected consumer) and SAIFI (average number of supply interruptions per connected consumer). The SAIDI target was not met in 2020, this is largely due to third party and wildlife interferences, and an increase in planned outages.

	Actual	Target
Minutes per year (SAIDI)	94.9	<83
Times per year (SAIFI)	1.87	<1.66

2) Profit Targets

The Group's profit targets were not met during the year.

	Actual	Target
Group Net Profit after Tax	($2.7m)	$0.8m
Subsidiaries Net (Loss) after Tax	($5m)	($2.7m)
Group Return on Equity (post discount & tax)	(1.7%)	0.53%
Group Return on Equity (pre discount & tax)	2.41%	6.50%

3) Revenue Targets

Strong revenues will allow Electra to maintain discounts payments and positive returns. A key driver of revenue is the number of consumers in the Group's network. These targets were met in 2020.

	Actual	Target
Sales Discount (excl GST)	$8.0m	$8.1m
Number of Consumers	45,366	>45,250

4) People Targets

Electra is committed to promoting a culture of health and safety where harm to our people in the workplace is unacceptable. For this policy the Group holds a target of nil for Lost Time Injuries (LTIs) such as work related recordable injury or illness resulting in lost time from work.

	Actual	Target
Lost Time Injuries (LTIs)	5	0

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDER OF ELECTRA LIMITED'S GROUP FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 31 MARCH 2020.

The Auditor-General is the auditor of Electra Limited Group (the Group). The Auditor-General has appointed me, Silvio Bruinsma, using the staff and resources of Deloitte Limited, to carry out the audit of the financial statements and the performance information of the Group on his behalf.

Opinion on the financial statements and the performance information

We have audited:

- the financial statements of the Group on pages 54 to 76, that comprise the consolidated statement of financial position as at 31 March 2020, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated 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; and
- the performance information of the Group on page 77.

In our opinion:

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

Our audit was completed on 16 June 2020. This is the date at which our opinion is expressed.

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

Emphasis of matter – Covid-19

Without modifying our opinion, we draw attention to Note 23 to the financial statements, which explains the impact of the Covid-19 pandemic on the entity.

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.

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

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

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 Group's internal control.

- We evaluate the appropriateness of the reported performance information within the Group's framework for reporting its performance;

- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group'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,

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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 Group 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 of the entities or business activities within the Group to express an opinion on the consolidated financial statements and 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.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 1 to 53 and pages 81 to 83, but does not include the financial statements and the performance information, and our auditor's report thereon.

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

In connection with our audit of the financial statements and the performance information, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the performance information or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

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

Other than the audit, we have no relationship with or interests in the Group.

Silvio Bruinsma

Silvio Bruinsma
Deloitte Limited
On behalf of the Auditor-General
Wellington, New Zealand

Statutory Information

Directors and remuneration

The following persons holding office as Directors during the year were authorised and received the following remuneration:

	Electra Limited
S A Mitchell-Jenkins	$69,000
S R Armstrong	$27,000
C C Dyhrberg	$41,000
S A Houston	$24,000
M C Underhill	$41,000
N F Mackay	$27,000
J F Boshier	$13,000
A I McCauley	$27,000
	$269,000

Entries recorded in the interest register

The following entries were recorded in the Interest Register of the Company and its subsidiaries during the year:

a. Directors' interests in transactions

Directors have declared interests in transactions with the Company during the year as set out in note 21 of these financial statements.

Directors have no direct interest in the equity securities issued by the Company. Directors may be beneficiaries of the Electra Trust, which holds the shares in the Company for end-customers of the day.

b. Share dealings of Directors

Directors did not purchase or sell shares in Electra Limited or its subsidiaries during the year.

c. Loans to Directors

There were no loans made to Directors by Electra Limited or its subsidiaries during the year.

d. Directors' indemnity and insurance

The Company has insured its Directors, and the Directors of its subsidiaries, against liabilities to other parties that may arise from their positions as Directors. The insurance does not cover liabilities arising from criminal actions.

Employees' remuneration

During the year the following numbers of employees received remuneration and/or other benefits within the following bands:

Continuing employees	Year ended 31-Mar-20	Year ended 31-Mar-19
$100,000 - $110,000	8	6
$110,001 - $120,000	7	9
$120,001 - $130,000	8	8
$130,001 - $140,000	5	3
$140,001 - $150,000	4	3
$150,001 - $160,000	-	2
$160,001 - $170,000	2	2
$170,001 - $180,000	2	-
$180,001 - $190,000	1	-
$190,001 - $200,000	-	2
$200,001 - $210,000	-	1
$210,001 - $220,000	2	-
$220,001 - $230,000	-	1
$230,001 - $240,000	-	1
$240,001 - $250,000	3	1
$250,001 - $260,000	1	-
$270,001 - $280,000	-	1
$300,001 - $310,000	-	1
$490,001 - $500,000	1	-
$510,001 - $520,000	-	1

Some employees are also provided with the use of a Company motor vehicle not included in the above calculation.

Donations

During the year the Group made donations of Nil (2019: Nil).

Registered office

Electra Limited
Cnr Exeter & Bristol Sts,
LEVIN

Postal address

P O Box 244, LEVIN
Telephone 0800 353 2872
Fax 06 367 6120

Directors

Electra Limited

S A Mitchell-Jenkins, BBS, FCA, CMInstD	Chair
C C Dyhrberg, BCom, LLB, MInstD	
M C Underhill, BE(elect), MCom(hons), FEngNZ, MInstD	
S R Armstrong, BCA, MBA, CA	Appointed 1/8/19
S A Houston	Appointed 1/8/19
N F Mackay, BCA	Ceased 31/7/19
J F Boshier, FEngNZ, ME, MBA	Ceased 31/7/19
A I McCauley, BCA, MBA, PGDFA, CA, MInstD	Ceased 6/12/19

Executive

N P Simmonds (CE – Electra Group), JP, MBA, BE, FEngNZ
D W Toon (CFO/CIO - Electra Group) BCA, BA, LLM, Sloan MSC, CA, ICSA, MInstD
J R Hazlehurst (GM - People and Culture)
D M Andrews (GM Lines Business), MBA, Dip Bus Mgmt, MIITP
M K F Smith (GM – Electra Services), BBS
J A Beale (General Counsel - Electra Group), LLB, AGNZ
L A Smith (Head of Growth and Acquisition - Electra Group), MNZM

Electra Trust Trustees

S M Crosbie (Chairperson), CNZM, OBE
L R Burnell, QSM
J L Yeoman, BBS, ACA, FCIS
R J Latham
B J Duffy, ONZM, JP
J Holborow, M Mus

Registered office

Registered office
Electra Limited
Cnr Exeter & Bristol Sts Levin

Postal Address

PO Box 244 Levin
Telephone 0800 353 2872
Fax 06 367 6120

Auditor

Silvio Bruinsma
Deloitte Limited
Wellington
On behalf of the Auditor-General

Solicitors

C S Law	Levin
Quigg Partners	Wellington

Notice of annual meeting

Notice is hereby given that the Annual Meeting of Shareholders of Electra Limited will be held at the Company's Registered Office, 25 Bristol Street, Levin on Friday 31 July 2020 at 2pm.

Ordinary business

1. To receive and consider the Directors' Report, the Financial Statements and the Auditor's Report.
2. To consider the Directors' recommendations as to dividends.
3. To elect Directors.
4. To fix remuneration of the Directors for the ensuing year.
5. To record the re-appointment of the Auditor-General (or appointee) as Auditor of the Company and to authorise the Directors to fix their remuneration for the ensuing year.

By order of the Board

16 June 2020

Any member of the Company entitled to attend and vote at the Meeting may appoint another person as proxy to attend and vote on his or her behalf. A proxy need not be a member of the Company. Proxy forms must be lodged at the Registered Office of the Company, Cnr Exeter and Bristol Sts, P O Box 244, Levin 5540.

Web: www.electra.co.nz   Telephone: 0800 353 2872