



ANNUAL REPORT

For the year ended: 31 March 2018

Network Waitaki Limited
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CONTENTS

Directory	2
Annual Review	3
Directors' Report	6
Company Trend Statement	9
Directors' Responsibility Statement	10

FINANCIAL STATEMENTS

Statement of Comprehensive Income	11
Statement of Changes in Equity	11
Statement of Financial Position	12
Statement of Cash Flows	13
Notes to the Financial Statements	14
Statement of Service Performance	29
Auditors Report	31

DIRECTORY

DIRECTORS:

Mrs. C. M. Kearney (Chairman to 30/06/17)

Mr. D. Atkinson

Mr. C. J. Dennison (Chairman from 1/7/17)

Mr. D. A. Ruddenklau

Mr. J. D. Walker

Mr C. Bailey (from 26/6/17)

Mr A. J. Wood

SOLICITORS:

Berry & Co., Eden Street

Oamaru

REGISTERED OFFICE:

10 Chelmer Street, Oamaru

CHIEF EXECUTIVE

Mr. G. B. Clark

WAITAKI POWER TRUST

TRUSTEES:

Dr. H. F. Brookes (Chairman)

Mr. A. J. Brady

Mr. J. Clements

Mr. H. J. Tonkin

Mr. J. Webster

AUDITORS:

Nathan Wylie

PricewaterhouseCoopers

Christchurch

ON BEHALF OF The Auditor-General

PRINCIPAL BANKERS

ANZ, The Octagon, Dunedin



Christopher Dennison

Message from Chairman and Chief Executive



Graham B. Clark

Introduction

It is with pleasure that we present this review of the operations of Network Waitaki for the year ended 31 March 2018.

At the Annual General meeting of the Company in June 2017 Clare Kearney stood down as a Director and Chairman after providing 12 years (9 years as Chairman) of service and leadership to the Company during a period of significant growth on the network.

Christopher (Chris) Dennison was appointed to the position of Chairman and Christopher (Chris) Bailey was appointed as a new Director.

The health and safety of workers and the public is an area that continues to receive high focus from Directors and Management. Work practices are continually being reviewed and training provided where weaknesses are identified. One particular area that continues to be monitored is the use of live line techniques. A deenergised policy was introduced in 2016 and remains in place. According to this policy, live line procedures are allowed to be used only when alternatives have been assessed to be of a higher risk. This policy has impacted on the performance of the network through increased outages and the number of minutes customers are without power. This is measured by the System Average Incident Duration Index (SAIDI).

Performance Highlights

Financial (\$M)

	2018	2017
Operating Revenue	23.9	22.8
Net Profit Before Discount & Tax	6.7	6.4
Discount	1.6	1.7
Net Profit After Discount & Tax	3.7	3.7
Capital Expenditure	8.9	10.0

Network

	2018	2017
SAIDI minutes	135	124
Energy Delivered (GWh)	265	243
Maximum Demand (MW)	65	55
Network Connections (Number of ICP's)	12,879	12,743

Safety

	2018	2017
Public Safety Incidents Reported	55	57
Field Observations	294	137
Lost Time Incidents	3	2

Ownership

Network Waitaki is owned by the Waitaki Power Trust that has members elected by the electricity Consumers of Network Waitaki. The Company provides written quarterly financial reports to the Trust providing comparisons and explanation for variances between actual results and goals contained in the approved Statement of Corporate Intent. We are pleased to report that the company has performed in accordance with the SCI goals last year. The quarterly reports are supplemented by meetings between the Chairman and Chief Executive with the Trustees. Directors appreciate the opportunity to discuss and receive comments from the Trustees.

Regulatory Review

The Electricity Authority has requested Electricity Distribution Companies to undertake a review of their electricity pricing structures. The purpose of the review is to ensure that the correct pricing signals are provided to electricity consumers investing in emerging technologies including photo voltaic generation and battery storage. It is important that all users of the electricity distribution assets pay their fair share of the cost of having available a reliable electricity supply provided by being connected to the electricity distribution network. A copy of Network Waitaki's road map for this work can be viewed on our Web Page attached to our Pricing Methodology disclosure.

Technology Developments

The increased need for and reliance on information for decision making and operation of an electricity distribution business increases the importance of having a secure Information Technology system. This has been an area of focus and investment during the past year with increased security around hardware and software.

Accurate readily available information is a requirement for business planning. To this end, during the past year, we have undertaken developments to improve the flow of information between the office base staff and field staff. The use of mobility devices is helping in this area. A new Geospatial Information System (GIS) was commissioned during the year and is providing network operational benefits.



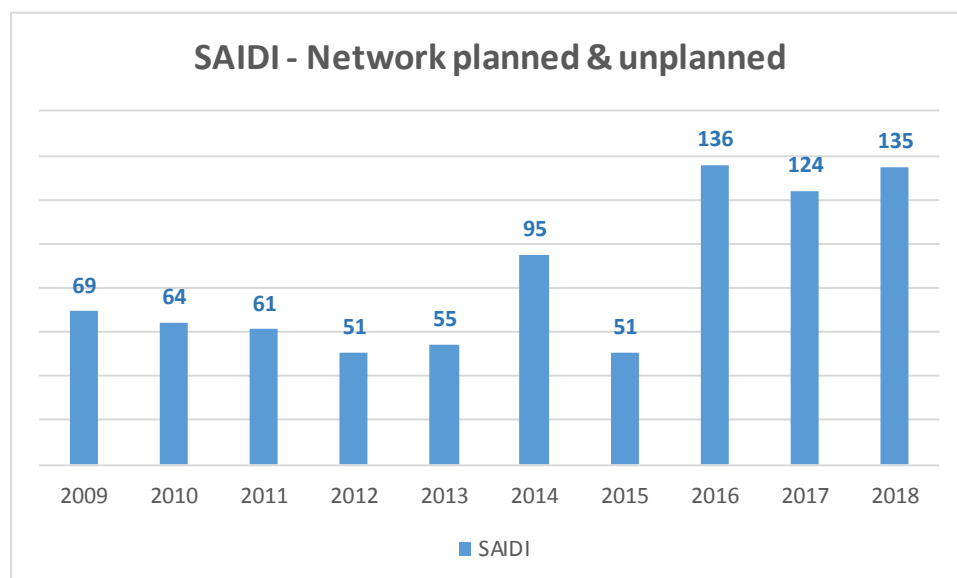
Electric Vehicle Charging Stations

The Company has supported the Government's promotion of electric vehicles with the installation of 4 electric vehicle fast chargers at Hampden, Oamaru, Kurow and Omarama. This network of chargers gives confidence to electric vehicle owners who wish to travel the District serviced by Network Waitaki.

Network Performance

Outage Statistics

The following Graph shows the SAIDI (System Average Incident Duration Index) over recent years. The 2018 year and the previous year shows an increase in SAIDI minutes compared to earlier years. As indicated earlier this increase is the result of the introduction of a deenergised policy. To mitigate the impact of the deenergised policy we place an emphasis on planning and coordination of projects to ensure maximum usage of outage periods with the aim of completing as many projects during one outage as practical. The network configuration and design is also being reviewed to allow smaller segments of the network to be subject to an outage event.



Electricity Demand and Energy Transported

North Otago experienced several months of minimal rain during which time increased irrigation resulted in high energy demand. However, this dry period was followed by a change in weather patterns that saw regular rain during February and March. The net result was that the total annual energy transported through the network was 3.3% below the 3-year average energy transported as per table below.

Energy Transported (GWh)	3 Year Average	2017/18	Variance
Energy Transported - Excluding Black Point GXP	248.7	241.6	-2.9%
Energy Transported - Black Point GXP	25.2	23.4	-7.1%
Energy Transported -Total	273.9	265.0	-3.3%

Network Condition

The Network continues to deliver a reliable electricity supply to consumers within expected performance levels.

To ensure this level of reliability continues and that funds are invested in the appropriate areas of the network a review of the current condition assessment methods has been undertaken. The outcome of this review will improve available information for planning of asset maintenance and replacement.

This is in keeping with Asset Management Plan (AMP) requirements that Network Waitaki will invest in and develop the network to ensure a continuous reliable electricity supply to its current and future consumers.

Transmission

Increased demand for electricity puts pressure on the assets necessary to meet the demand. The constraint on assets is most evident with the loadings on Transmission Assets supplying the Oamaru Grid Exit Point during the summer months. The immediate constraint has been resolved with Network Waitaki's upgrade of the Waitaki Grid Exit Point. This development has provided a 7 to 10-year window of opportunity to continue working with Transpower and the Commerce Commission to achieve a longer-term solution.

Community Support

Network Waitaki has continued with its support of community based sporting and cultural activities. This year 60 groups benefited to the value of \$118,000.

Conclusion

It is pleasing to be able to again report on a very satisfactory year. The company has invested in distribution and supporting assets to the value of \$8.9M during the year (\$10.0M in 2017). A strong balance sheet gives comfort that the Company will be able to fund the planned future investment identified in the Company's Asset Management Plan.

A Net Profit After Tax of \$3.7M was achieved following the distribution of a \$1.6M discount (excl. GST).



Chris Dennison
Chairman



Graham Clark
Chief Executive

DIRECTORS' REPORT



Left to right: Tony Wood, Derek Atkinson, John Walker, Chris Dennison (chairman), David Ruddenklau and Chris Bailey

DIRECTORS' INTERESTS

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

Chris Dennison (Chairman)

Chris has been a Director since June 2013 and Chairman from July 2017. He is a Director of Dennison Farms Limited, Chairman of Tracmap Aviation Ltd, Chairman of Tracmap Holdings Ltd, Chairman of Tracmap NZ Ltd, a Director of Farmlands Co-operative, a Director of the Waitaki Irrigators Collective and an advisor to the board of the Lower Waitaki Irrigation Company.

Derek Atkinson

Derek has been a Director since June 2011.

John Walker

John has been a Director since June 2005. He is a Director/Shareholder of Mighty Mix Dog Food Limited.

Chris Bailey

Chris has been a Director since June 2017. He is a Director of i.t.online Limited, Chairman of Cactus Outdoor Limited, Chairman of Tennis Canterbury Region Incorporated, Board Trustee of Wilding Park Foundation, a Director of Original Performance Solutions, a Director of Chrysalis Housing Limited, a Director of Strava Limited, a Director of Specialist Education Limited, Independent Trustee of Lemon Tree Trust and Leadership Development Manager of Brannigans.

David Ruddenklau

David joined the board in July 2011. He is a Director and Shareholder of Newhaven Farms Limited, and Carhill Limited, a Trustee for Pukeraro Trust and Otago/Southland Child Cancer Foundation and a Shareholder of North Otago Irrigation Company.

Tony Wood

Tony joined the board in July 2012. He is a Director and Shareholder of A J Wood Chartered Accountants Ltd, A J Wood Trustees Ltd (also Trustee to various Clients' Family Trusts) and Macksmith Properties Ltd, and a Trustee of Wood Family Trust. Tony is the Chairman of North Otago Search and Rescue.

DIRECTORS' REPORT (CONTINUED)

GENERAL DISCLOSURES

PRINCIPAL ACTIVITIES

The principal activity of Network Waitaki Limited is ownership of its electricity distribution network.

REVIEW OF OPERATIONS

The Operating Revenue (before customer discount) was \$23,888,522 (2017 \$22,781,957) for the year. Operating Profit before Taxation is \$5,158,299 (2017 \$4,643,626)

SHARE CAPITAL

Total issued and paid up capital as at 31 March 2018 was 14,000,000 Ordinary Fully-Paid Shares. There has been no movement in Share Capital during the year.

USE OF COMPANY INFORMATION

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

DIVIDENDS

A dividend of \$100,000 was declared and paid during the 2018 year. (2017 Nil)

DISCOUNT

A discount (excluding GST) of \$1,579,845 has been paid to Customers (2017 \$1,740,810).

DONATIONS

The company made donations (excluding GST) totaling \$110,595 in the year (2017 \$109,540).

CORPORATE GOVERNANCE

Network Waitaki Limited operates under a set of corporate governance principles designed to ensure the Company is effectively managed.

Board of Directors

The Board is the governing body of the company and currently has six members. The Board is appointed by the shareholders to oversee the management of the Company and is responsible for all corporate governance matters. The Board endeavors to ensure that the activities undertaken are carried out in the best interests of all shareholders, while respecting the right of other stakeholders. The Board formally met eleven times during the financial year.

Responsibilities

The Board is responsible for the management, supervision, regulatory compliance, health and safety, and direction of the Company. This incorporates the long-term strategic financial plan, strategic initiatives, budgets and the policy framework. The Board has developed and maintains clear policies which define the individual and collective responsibilities of the Board and management.

REMUNERATION OF DIRECTORS

	Total Directors' fees paid
	\$
Mrs. C.M. Kearney	11,719
Mr. D. Atkinson	32,781
Mr. C. Bailey	22,333
Mr. C.J. Dennison	50,031
Mr. J.D. Walker	32,781
Mr. A.J. Wood	32,781
Mr. D.A. Ruddenklau	32,781
Total Directors' fees	215,207

EMPLOYEE REMUNERATION

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

Remuneration Range	Number of Employees
\$100,000 - \$109,999	10
\$110,000 - \$119,999	3
\$120,000 - \$129,999	2
\$130,000 - \$139,999	1
\$140,000 - \$149,999	1
\$150,000 - \$159,999	1
\$280,000 - \$289,999	1

INDEMNIFICATION AND INSURANCE OF OFFICERS AND DIRECTORS

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

During the financial year, Network Waitaki Limited paid insurance premiums in respect of Directors' and Officers' liability insurance. The policies do not specify the premium for individual Directors and executive officers.

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

EVENTS SUBSEQUENT TO BALANCE DATE

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

AUDITORS

In accordance with Section 45 of the Energy Companies Act 1992, the Controller and Auditor-General are responsible for the audit of Network Waitaki Limited. In accordance with Section 29 of the Public Finance Act 1977, the Controller and Auditor-General have contracted the audit of Network Waitaki Limited to Nathan Wylie using the staff and resources of PricewaterhouseCoopers. The auditor's fee for 2017/18 is \$61,900 (2016/17 was \$58,900).



C.J. Dennison
Chairman



A.J. Wood
Director

TREND STATEMENT

	2018	2017	2016	2015	2014	2013
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
FINANCIAL PERFORMANCE						
Operating Revenue	23,889	22,782	23,796	26,903	21,825	19,305
Operating Profit before Tax	5,158	4,644	7,260	7,887	3,859	3,344
Taxation	(1,425)	(972)	(2,036)	(2,137)	(1,163)	(955)
Net Surplus	3,733	3,672	5,224	5,750	2,696	2,389
Customer Discounts	1,580	1,741	1,768	1,729	1,676	2,023
FINANCIAL POSITION						
Current Assets	11,993	11,937	14,591	15,688	12,416	11,119
Non-Current Assets	95,828	91,376	85,551	79,444	74,039	72,246
Total Assets	107,821	103,313	100,142	95,132	86,455	83,365
Liabilities	18,027	17,152	17,653	17,867	14,940	14,546
Net Assets	89,794	86,161	82,489	77,265	71,515	68,819
Share Capital	14,571	14,571	14,571	14,571	14,571	14,571
Retained Earnings	75,223	71,590	67,918	62,694	56,944	54,248
Equity	89,794	86,161	82,489	77,265	71,515	68,819
FINANCIAL RATIOS						
NPBT to Shareholders Funds	5.7%	5.4%	8.8%	10.2%	5.4%	4.9%
NPAT to Shareholders Funds	4.2%	4.3%	6.3%	7.4%	3.8%	3.5%
Ratio of Shareholders' Funds to Total Assets	83.3%	83.4%	82.4%	81.2%	82.7%	82.6%
NPBT Earnings Per Share in Cents	36.84	33.17	51.86	56.34	27.56	23.89
Net Assets Per Share	\$6.41	\$6.15	\$5.89	\$5.51	\$5.11	\$4.89
STATISTICS						
SAIDI (normalised)	134.70	124.16	135.74	51.07	79.62	54.73
SAIFI (normalised)	1.69	1.06	0.76	1.10	1.28	1.41

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for ensuring that the financial statements give a true and fair view of the financial position of Network Waitaki Limited as at 31 March 2018 and its financial performance and cash flows for the year ended on that date.

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

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

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

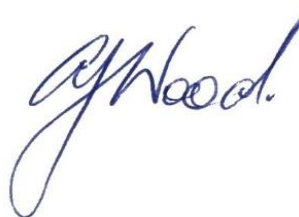
The Directors have pleasure in presenting the Financial Statements of Network Waitaki Limited for the year ended 31 March 2018.

The Board of Directors of Network Waitaki Limited authorises these Financial Statements for issue on 28 May 2018.

For and on behalf of the Board of Directors



C.J. Dennison
Chairman



A.J. Wood
Director

FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2018

	Notes	2018	2017
		\$	\$
Operating Revenue	2	23,888,522	22,781,957
Less			
Customer Discount		(1,579,845)	(1,740,810)
Operating Revenue after Customer Discount		22,308,677	21,041,147
Less			
Operating Expenses	3	(4,814,633)	(4,349,158)
Transmission Costs		(5,053,577)	(4,973,882)
Employee Costs		(3,152,927)	(2,975,214)
Depreciation, Amortisation and Impairment	4	(4,129,241)	(4,099,267)
Operating Profit Before Tax		5,158,299	4,643,626
Taxation	5	(1,424,657)	(971,393)
Net Profit for the Year		3,733,642	3,672,233
Total Comprehensive Income		3,733,642	3,672,233

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2018

	Share Capital	Retained Earnings	Total Equity
	\$	\$	\$
Balance at 1 April 2016	14,571,119	67,917,393	82,488,512
Profit for the year, being total comprehensive income	-	3,672,233	3,672,233
Balance at 31 March 2017	14,571,119	71,589,626	86,160,745
Balance at April 2017	14,571,119	71,589,626	86,160,745
Profit for the year, being total comprehensive income		3,733,642	3,733,642
Dividend Paid		(100,000)	(100,000)
Balance at 31 March 2018	14,571,119	75,223,268	89,794,387

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

STATEMENT OF FINANCIAL POSITION

as at 31 March 2018

	Notes	2018	2017
		\$	\$
Assets			
Current Assets			
Cash and Cash Equivalents		1,406,386	735,442
Short Term Deposits		6,750,000	6,700,000
Trade and Other Receivables	6	2,399,758	2,655,193
Inventories	9	1,352,305	1,292,068
Work in Progress		577	561
Taxation Receivable		84,476	553,480
Total Current Assets		11,993,502	11,936,744
Non-Current Assets			
Trade and Other Receivables	6	-	335,600
Property, Plant and Equipment	7	95,180,931	90,351,416
Intangible Assets	8	647,284	688,767
Total Non-Current Assets		95,828,215	91,375,783
Total Assets		107,821,717	103,312,527
Liabilities			
Current Liabilities			
Trade and Other Payables	10	2,344,573	2,209,783
Employee Entitlements	11	666,170	663,264
Total Current Liabilities		3,010,743	2,873,047
Non-Current Liabilities			
Loan from Waitaki Power Trust	15	1,150,000	1,150,000
Deferred Tax	5	13,866,587	13,128,735
Total Non-Current Liabilities		15,016,587	14,278,735
Total Liabilities		18,027,330	17,151,782
Equity			
Share Capital	12	14,571,119	14,571,119
Retained Earnings	13	75,223,268	71,589,626
Total Shareholders' Equity		89,794,387	86,160,745
Total Liabilities and Shareholders' Equity		107,821,717	103,312,527

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

STATEMENT OF CASH FLOWS

for the year ended 31 March 2018

	Notes	2018	2017
		\$	\$
Cash Flows from Operating Activities			
<i>Cash was Provided from:</i>			
Receipts from Customers		22,568,961	20,753,129
Interest Received		275,122	300,273
		22,844,083	21,053,402
<i>Cash was Disbursed to:</i>			
Payments to Suppliers and Employees		(12,878,390)	(12,713,369)
Income Tax Paid		(217,801)	(1,379,508)
Net GST Paid		(9,675)	(109,376)
		(13,105,866)	(14,202,253)
Net Cash from Operating Activities	14	9,738,217	6,851,149
Cash Flows from Investing Activities			
<i>Cash was Provided from:</i>			
Transfer from Term Deposits		-	3,250,000
Proceeds of Sale of Assets		-	20,653
		-	3,270,653
<i>Cash was Applied to:</i>			
Transfer to Term Deposits		(50,000)	-
Purchase of Property, Plant and Equipment and Intangible Assets		(8,917,273)	(10,016,497)
		(8,967,273)	(10,016,497)
Net Cash from Investing Activities		(8,967,273)	(6,745,844)
Cash Flows from Financing Activities			
<i>Cash was Applied to:</i>			
Dividends paid		(100,000)	-
Net Cash from Financing Activities		(100,000)	-
Net Increase/(Decrease) in Cash Held		670,944	105,305
Cash and Cash Equivalents at Beginning of the Year		735,442	630,137
Cash and Cash Equivalents at End of the Year		1,406,386	735,442

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

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES

ENTITY REPORTING

Network Waitaki Limited is a consumer trust-owned electricity distribution network operator in North Otago. The Company's registered office is 10 Chelmer Street, Oamaru, New Zealand.

PARENT TRUST

Network Waitaki Limited is wholly owned by Waitaki Power Trust.

GENERAL INFORMATION

Network Waitaki Limited is a limited liability company incorporated and domiciled in New Zealand.

STATEMENT OF COMPLIANCE WITH NZ IFRS

Basis of Preparation

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

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

In adopting NZ IFRS RDR, the company has taken a number of disclosure concessions.

DATE OF ISSUE FOR THE FINANCIAL STATEMENTS

These financial statements have been approved for issue by the Board of Directors on 28 May 2018. The directors' do not have the power to amend the financial statements after its issue.

PROFIT-ORIENTED ENTITY

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

STATUTORY BASE

Network Waitaki Limited is:

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

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

FUNCTIONAL AND PRESENTATION CURRENCY

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

MEASUREMENT BASE

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

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING THE ENTITY'S ACCOUNTING POLICIES

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Network reticulation assets

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

Easements

Easements are recorded at cost.

GOODS AND SERVICES TAX (GST)

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

REVENUE

Sale of goods

Revenue from the sale of goods is recognised in the Statement of Comprehensive Income when the significant risks and rewards of ownership have been transferred to the consumer. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods, or where there is continuing management involvement with the goods.

Services supplied

Revenue from the sale of services is recognised in the Statement of Comprehensive Income when it is probable that the economic benefits associated with the transaction will flow to the company. No revenue from services supplied is recognised when the stage of completion of the transaction cannot be measured reliably or the amount of revenue from the transaction cannot be reliably measured.

Investment income

- Interest is recognised using the effective interest method.
- Dividends are recognised when the right to receive payment is established.
- Rental income is recognised on an accrual basis in accordance with the substance of the relevant agreements.

Lease income

Revenues from operating leases are recognised on a straight line basis over the period between rental reviews.

Customer contributions

Contributions from customers in relation to the construction of new lines for the network are accounted for as income in the year in which the Company completes the actual work.

Construction Contracts

Revenue from construction contracts is recognised by reference to the recoverable cost incurred during the period plus the percentage of fees earned.

When a loss is expected to occur, it is recognised immediately.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INCOME TAX

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

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

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

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

CAPITAL AND OPERATING EXPENDITURE

Capital expenditure relates to expenditure incurred in the creation of a new asset and expenditure incurred on existing reticulation system assets to the extent the system is enhanced.

Operating expenditure relates to expenditure incurred in maintaining and operating the property, plant and equipment and investment properties of the Company.

DIVIDENDS

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

CASH AND CASH EQUIVALENTS

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

SHORT TERM DEPOSITS

Short term deposits comprise cash deposits held with financial institutions with an original maturity greater than three months and less than twelve months.

WORK IN PROGRESS

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

CAPITAL RISK MANAGEMENT

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

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

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

TRADE RECEIVABLES

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the assets' carrying amount and realisable value. The amount of the provision is recognised in the Statement of Comprehensive Income.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PROPERTY, PLANT AND EQUIPMENT

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

Property, Plant and Equipment acquired subsequent to the adoption of 'deemed cost', after 1 April 2006, is recorded at the value of the consideration given to acquire the assets, plus the value of other directly attributable costs which have been incurred in bringing the assets to the location and condition necessary for their intended service, less subsequent depreciation and impairment write-down.

Network Reticulation Assets comprises mainly Low Voltage, 11kV, 33kV and LV conductor and associated transformers and substations. Reticulation assets are shown at deemed cost less subsequent depreciation and impairment write-down.

Network Reticulation Assets acquired subsequent to the adoption of 'deemed cost' are recorded at the value of the consideration given to acquire the assets and the value of other directly attributable costs which have been incurred in bringing the assets to the location and condition necessary for their intended service less subsequent depreciation and impairment write-down.

Capital Contributions are amortised over 10 years.

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

Contracting Equipment comprises mainly plant and equipment used in the construction and repair of network reticulation systems. Items are recorded at the value of the consideration given to acquire the assets and the value of directly attributable costs which have been incurred in bringing the assets to the location and condition necessary for their intended service less subsequent depreciation and impairment write-down.

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

Depreciation of Property, Plant and Equipment (continued)

The following depreciation rates have been used:

Item	Depreciation rate
Network Reticulation System	1.4% to 10.0%
Fibre Network	7.0%
Buildings	1.25% to 3.9%
Meters and Relays	14.29% to 20.0%
Plant and Equipment	5.0% to 80.0%

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INTANGIBLE ASSETS

Intangible Assets consist solely of computer software, which is recorded at the value of the consideration given to acquire the assets plus the value of other directly attributable costs which have been incurred in bringing the assets to the location and condition necessary for their intended service.

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

Intangible assets are carried at cost less accumulated amortisation.

The following amortisation rates have been used:

Item	Amortisation rate
Computer Software	15% to 40%

IMPAIRMENT

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

INVENTORIES

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

BORROWING COSTS

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

BORROWINGS

Borrowings are initially measured at fair value plus transaction costs.

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

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

FINANCIAL ASSETS

The only financial assets that the Company has are loans and receivables. Purchases and sales of financial assets are accounted for at trade date.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Company's loans and receivables comprise 'trade and receivables', current investments and cash and cash equivalents in the Statement of Financial Position.

FINANCIAL RISK MANAGEMENT

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Market risk

(i) Foreign exchange risk

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

(ii) Cash flow and fair value interest rate risk

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

Credit risk

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

Liquidity risk

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

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

Note 18 analyses the Company's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period, at the statement of financial position date to the contractual maturity date. Derivative financial liabilities are included in the analyses if their contractual maturities are essential for an understanding of timing of the cash flows. The amounts disclosed in the table are contractual undiscounted cash flows.

Fair value estimation

The fair value of financial assets and liabilities must be estimated for recognition and measurement and for disclosure purposes.

The fair value for any financial instruments that are not traded in an active market is determined using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date.

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 in effect at the balance date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates ruling at the date when the fair value is determined.

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

TRADE AND OTHER PAYABLES

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PROVISIONS

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

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

EMPLOYEE ENTITLEMENTS

Wages, salaries and annual leave

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

Sick and special leave

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

Long service leave

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

SHARE CAPITAL

Ordinary shares are classified as equity.

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

LEASES

Operating Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit and loss component of the statements of comprehensive income on a straight-line basis over the period of the lease.

Finance Leases

The Company is the Lessor

Assets leased to third parties under operating leases are included in property, plant and equipment in the Statement of Financial Position. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income (net of incentives given to lessees) is recognised on a straight-line basis over the lessee term.

The Company is the Lessee

Leases in which the Company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding.

The corresponding rental obligations, net of finance charges, are included in other long term payables. The interest element of the finance cost is charged to the Statement of Comprehensive Income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Property, plant and equipment acquired under a finance lease are depreciated over the shorter of the asset's useful life and the lease term.

CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

New and amended standards adopted by the company

There are no changes in 2017/18.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2018	2017
	\$	\$
2 Operating Revenue		
<i>Operating Revenue Comprises:</i>		
Network	18,576,952	17,520,381
Capital Contributions	1,667,620	2,034,517
Metering	571,272	704,445
Interest received	275,122	300,273
Bad Debts Recovered	3,109	3,281
Rent received	12,600	16,398
Contracting	1,807,793	1,261,863
Loss Rental Rebate	400,301	-
Other	573,753	940,799
	23,888,522	22,781,957
3 Operating Expenses		
<i>Operating Expenses Comprise:</i>		
Operating Costs	4,266,520	3,887,765
Directors' Fees	201,083	198,749
Donations	110,595	109,540
Audit Fees (Financial Statements) – PWC	61,900	58,900
Audit Disbursements (Financial Statements) – PWC	10,050	9,850
Taxation Services – PWC	400	15,942
Taxation Services – Other firms	16,879	1,289
Regulatory Audit Including Disbursements – PWC	53,389	33,387
Other Regulatory Audits – Other firms	5,544	16,236
Rent	21,000	17,500
Interest Paid to WPT	66,355	-
Bad Debts Written Off	918	-
	4,814,633	4,349,158
4 Depreciation, Amortisation and Impairment		
<i>Depreciation Comprises:</i>		
Buildings	70,860	55,993
Network Reticulation System	2,870,595	2,738,532
Meters and Relays	59,298	138,681
Plant and Equipment	625,315	586,594
Fibre Network	182,308	182,184
Intangibles	179,002	189,712
Total Depreciation	3,987,378	3,891,696
Loss on Disposal of Property, Plant and Equipment	141,863	207,571
Total Depreciation, Amortisation and Impairment	4,129,241	4,099,267

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2018	2017
	\$	\$
5 Taxation		
<i>Tax Expenses For Period Made Up Of:</i>		
Current Taxation Expense	686,805	572,062
Deferred Taxation Expense	737,852	399,331
	1,424,657	971,393
Operating Surplus Before Income Tax	5,158,299	4,643,626
Prima Facie Taxation @28 cents	1,444,324	1,300,216
<i>Movement in Income Tax Due to -</i>		
Non Deductible Expenses	49,298	28,231
Prior Period Adjustment	(68,965)	(357,054)
	(19,667)	(328,823)
Tax Expense	1,424,657	971,393
<i>Deferred Tax Movements</i>		
Capital Contributions	(109,747)	(259,172)
Depreciation	(714,373)	(621,044)
Prior Period Adjustment	66,919	456,723
Other	19,349	24,162
	(737,852)	(399,331)
Income Tax Expense	686,805	572,062

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5	Taxation (Continued)			
		Depreciation	Other	Total
		\$	\$	\$
	Deferred Tax Liability			
	Opening Balance as at 1 April 2016	10,961,283	1,768,121	12,729,404
	Change in the Year	621,044	(221,713)	399,331
	Closing Balance as at 31 March 2017	11,582,327	1,546,408	13,128,735
	Opening Balance as at 1 April 2017	11,582,327	1,546,408	13,128,735
	Change in the Year	752,004	(14,152)	737,852
	Closing Balance as at 31 March 2018	12,334,331	1,532,256	13,866,587
	Current and Non-Current Deferred Tax Liability			
	2017			
	Current Deferred Tax	-	-	-
	Non-Current Deferred Tax	11,582,327	1,546,408	13,128,735
	Total Deferred tax	11,582,327	1,546,408	13,128,735
	2018			
	Current Deferred Tax			
	Non-Current Deferred Tax	12,296,700	1,569,887	13,866,587
	Total Deferred tax	12,296,700	1,569,887	13,866,587

		2018	2017
		\$	\$
6	Trade and Other Receivables		
	Trade Receivables	2,058,364	2,484,851
	Doubtful Debts	(34,663)	(39,042)
	Total Receivables	2,023,701	2,445,809
	Other Receivables	90,642	326,526
	Prepayments	222,449	186,001
	GST	62,966	32,457
	Balance at End of Year	2,399,758	2,990,793
	Less Non-Current Trade Receivables	-	335,600
	Current Trade and Other Receivables	2,399,758	2,655,193
	Trade and Other Receivables less than 90 days old	2,021,747	2,927,252
	Trade and Other Receivables greater than 90 days old	378,011	63,541
	Trade and Other Receivables greater than 90 days old and impaired	-	-
		2,399,758	2,990,793

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7	Property, Plant and Equipment						
		Network	Land &	Meters	Fibre	Plant	
		Reticulation	Buildings	And	Network	And	
		System		Relays		Equipment	Total
		\$	\$	\$	\$	\$	\$
	Gross Carrying Amount						
	At 1 April 2016	102,100,387	2,288,646	2,600,989	2,604,400	4,952,616	114,547,038
	Additions	10,147,913	4,000	-	-	830,046	10,981,959
	Disposals	(492,627)	(24,205)	(5,592)	-	(55,553)	(577,977)
	At 31 March 2017	111,755,673	2,268,441	2,595,397	2,604,400	5,727,109	124,951,020
	Additions	7,835,704	398,333	-	-	873,452	9,107,489
	Disposals	(466,717)	(4,000)	-	-	2,740	(467,977)
	At 31 March 2018	119,124,660	2,662,774	2,595,397	2,604,400	6,603,301	133,590,532
	Accumulated Depreciation and Impairment						
	At 1 April 2016	26,434,635	431,456	2,365,922	1,002,030	2,154,730	32,388,773
	Charge for the Year	2,738,532	55,993	138,681	182,184	586,594	3,701,984
	Disposals	(236,652)	(17,478)	(651)	-	(53,589)	(308,370)
	At 31 March 2017	28,936,515	469,971	2,503,952	1,184,214	2,687,735	35,782,387
	Charge for the Year	2,870,595	70,860	59,298	182,308	625,315	3,808,376
	Disposals	(193,856)	(563)	-	-	349	(194,070)
	At 31 March 2018	31,613,254	540,268	2,563,250	1,366,522	3,313,399	39,396,693
	Net Book Values						
	At 31 March 2017	82,819,158	1,798,470	91,445	1,420,186	3,039,374	89,168,633
	Work in Progress	1,058,557	114,261	-	-	9,965	1,182,783
		83,877,715	1,912,731	91,445	1,420,186	3,049,339	90,351,416
	At 31 March 2018	87,511,406	2,122,506	32,147	1,237,878	3,289,902	94,193,839
	Work in Progress	940,338	35,195	-	-	11,559	987,092
		88,451,744	2,157,701	32,147	1,237,878	3,301,461	95,180,931

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2018	2017
	\$	\$
8 Intangible Assets		
Purchased Software		
Gross Carrying Amount		
Opening Balance	1,619,980	1,507,919
Additions	90,519	112,061
Disposals	-	-
Closing Balance	1,710,499	1,619,980
Accumulated Amortisation and Impairment		
Opening Balance	934,213	744,501
Charge for Year	179,002	189,712
Disposals	-	-
Closing Balance	1,113,215	934,213
Net Book Value	597,284	685,767
Work in Progress	50,000	3,000
Carrying Amount	647,284	688,767
	2018	2017
	\$	\$
9 Inventories		
Stores Inventory	1,352,305	1,292,068
10 Trade and Other Payables		
Trade Payables	1,603,473	1,870,239
Accruals	461,779	112,957
Capital Contributions	279,321	226,587
Balance at End of Year	2,344,573	2,209,783
All trade and other payables have a maturity within one year		
11 Employee Entitlements		
Leave Entitlements	551,853	550,601
Other Entitlements	114,317	112,663
Total	666,170	663,264

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2018	2017
	\$	\$
12 Share Capital		
Fully Paid-up Ordinary Shares	14,000,000	14,000,000
Non-Issued Shares and Shares Held by the Company	-	-
Total Number of Ordinary Shares Authorised	14,000,000	14,000,000
<p>The Company has one class of shares, which is "ordinary shares". Each ordinary share has a value of \$1.00 and ranks equally for voting and distribution rights. All shares are held by Waitaki Power Trust. A share premium of \$571,119 was paid with the acquisition of shares. As at the date of authorisation for issue of these financial statements, no dividends have been proposed or declared that are not recognised as a distribution in the 2018 year (2017 Nil).</p>		
13 Retained Earnings		
Balance at beginning of year	71,589,626	67,917,393
Net Surplus for Year	3,733,642	3,672,233
Dividend Paid	(100,000)	-
Balance at End of Year	75,223,268	71,589,626
14 Reconciliation of Net Profit with Cashflow from Operating Activities		
Net Profit for the Year	3,733,642	3,672,233
Add/(Less) Non-Cash Items:		
Depreciation and Amortisation	4,129,241	4,099,267
Deferred Taxation	737,852	399,331
	4,867,093	4,498,598
Add/(Less) Movements in Working Capital Items:		
(Increase) /Decrease in Trade and Other Receivables	591,035	(23,961)
(Increase / Decrease in Inventories	(60,237)	(5,243)
(Increase) / Decrease in Work in Progress	(16)	(409)
Increase / (Decrease) in Tax Payable	469,004	(807,446)
Increase / (Decrease) in Trade and Other Payables	134,790	(557,959)
Increase / (Decrease) in Employee Entitlements	2,906	75,336
	1,137,482	(1,319,682)
Net Cash Flows From Operating Activities:	9,738,217	6,851,149

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2018	2017
	\$	\$
15		
Loan from Waitaki Power Trust		
Opening Balance at 1 April 2017	1,150,000	1,150,000
Amount Drawn Down through to 31 March 2018		-
Closing Balance	1,150,000	1,150,000
The loan is unsecured and interest charged on the loan is at commercial rates		
16		
Capital Commitments		
Network Assets	1,361,000	1,911,000
Non-Network Assets	715,000	43,000
Total	2,076,000	1,954,000
17		
Related Party Transactions		
<i>Payments from Waitaki Power Trust to Network Waitaki Limited</i>		
Loan Outstanding at Balance Date	1,150,000	1,150,000
<i>Payments from Network Waitaki Limited to Waitaki Power Trust</i>		
Interest	66,355	66,355
Outstanding Balance at Balance Date		-
<i>Payments from Network Waitaki Limited to A.J. Wood Chartered Accountants Limited</i>		
A.J. Wood Chartered Accountants Ltd is related to Network Waitaki Limited through its director, Mr. A.J. Wood, who is a shareholder and director of A. J. Wood Chartered Accountants Ltd.		
Directors Fees	32,781	30,426
<i>Payments from Network Waitaki Limited to Original Performance Solutions Limited</i>		
Original Performance Solutions Limited is related to Network Waitaki Limited through its director, Mr C Bailey, who is a shareholder and director of Original Performance Solutions Limited.		
Directors Fees	22,333	-
<i>Payments from Network Waitaki Limited to key management personnel</i>		
Payments to key management personnel are made in accordance with employment agreements.		
Salaries	1,140,619	916,261

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18	Analyses of Financial Liabilities				
	<i>At 31 March 2017</i>				
		Less than	Between	Between	Over 5 Years
		1 Year	1 and 2 Years	2 and 5 Years	
	Loan	\$66,355	\$66,355	\$199,065	\$1,813,550
	Trade and Other Payables	\$2,209,783			
	<i>At 31 March 2018</i>				
		Less than	Between	Between	Over 5 Years
		1 Year	1 and 2 Years	2 and 5 Years	
	Loan	\$66,355	\$66,355	\$199,065	\$1,813,550
	Trade and Other Payables	\$2,344,573			
	The loan is interest only, with no maturity date; however, the Waitaki Power Trust has given an undertaking to give a minimum of 12 months' notice of the requirement to make any repayment of the advance outstanding or part thereof. The current interest rate is 5.77% (2017 5.77%). The over 5 year amounts allow for payments up to 10 years.				
19	Operating Leases				
				2018	2017
				\$	\$
	<i>Lessors – Operating Leases</i>				
	No later than one year			405,228	404,077
	Later than one year and no later than five years			1,595,660	1,572,212
	Later than five years			5,032,445	5,329,821
				7,033,333	7,306,110
	Network Waitaki leases out the fibre network it purchased in 2011. Its cost and accumulated depreciation values are shown in Note 7.				
	<i>Lessees – Operating Leases</i>				
	The future minimum lease payments under non-cancellable operating leases are as follows:				
	No later than one year			514,130	530,240
	Later than one year and no later than five years			2,048,045	1,965,315
	Later than five years			1,421,141	1,908,078
				3,983,316	4,403,633
20	Contingent Liabilities				
	The Company has no contingent liabilities as at 31 March 2018 (2017 Nil).				

STATEMENT OF SERVICE PERFORMANCE

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

FINANCIAL PERFORMANCE MEASURES			
STATEMENT OF COMPREHENSIVE INCOME FOR YEAR ENDED 31 MARCH 2018			
	ACTUAL	SCI	VARIANCE
	\$	\$	\$
Statement of Comprehensive Income			
Revenue Excluding Capital Contributions	22,220,902	25,605,997	(3,385,095)
Capital Contributions	1,667,620	1,350,000	317,620
Total Revenue	23,888,522	26,955,997	(3,067,475)
Less Expenses Excluding Depreciation	13,021,137	16,211,834	(3,190,697)
Less Depreciation	4,129,241	4,273,308	(144,067)
Net Profit before Discount and Tax	6,738,144	6,470,855	267,289
Less Discount	1,579,845	1,500,000	79,845
Net Profit Before Taxation	5,158,299	4,970,855	187,444
Less Taxation	1,424,657	1,391,839	32,818
Net Profit After Discount and Taxation	3,733,642	3,579,016	154,626
Comment			
The higher Net Profit after Taxation represents higher capital contributions which has been offset by a lower operating profit as well as higher discount and tax.			
BALANCE SHEET AS AT 31 March 2018			
	ACTUAL	SCI	VARIANCE
	\$	\$	\$
Shareholders' Equity	89,794,387	89,284,590	509,797
Current Assets	11,993,502	11,988,820	4,682
Current Liabilities	3,010,743	3,959,302	(948,559)
Working Capital	8,982,759	8,029,518	953,241
Non-Current Assets	95,828,215	95,187,267	640,948
Non-Current Liabilities	15,016,587	13,932,195	1,084,392
Net Non-Current Assets	80,811,628	81,255,072	(443,444)
Total Net Assets	89,794,387	89,284,590	509,797
Comment			
The Non-Current Liabilities variance is attributable to deferred tax.			

STATEMENT OF SERVICE PERFORMANCE (CONTINUED)

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

FINANCIAL PERFORMANCE MEASURES <small>(CONTINUED)</small>			
Key Financial Reporting Measures			
	ACTUAL	SCI	VARIANCE
NPBT to Shareholder Funds	5.74%	5.57%	0.17%
Net Assets per Share	\$6.41	\$6.38	\$0.04
NPBT Earnings per Share in Cents	36.84	35.51	1.33
Ratio of Shareholders' Funds to Total Assets	83.28%	83.31%	-0.03%
Rate of Return After Tax on Shareholder Funds	4.16%	4.01%	0.15%
Comment			
The higher than planned NPBT to Shareholder' Funds is mainly because of the higher Net Profit before Taxation as explained under the Statement of Comprehensive Income explanations.			
Non-Financial Performance Measures			
	ACTUAL	SCI	VARIANCE
Average Interruption Duration (SAIDI) – normalised	135	150 to 250	Outside Band
Average number of minutes electricity supply was lost per customer, normalised by limiting the impact of a major event day			
Average Interruption Frequency (SAIFI) – normalised	1.69	1.0 to 2.0	Inside Band
Average frequency of interruptions to electricity supply per customer during the year, normalised by limiting the impact of a major event day			
Comment			
The performance of the network has been affected by a change in policy restricting work on live equipment. Over half of the SAIDI minutes this year were due to planned outages.			

Health and safety measures – energy company boards and management understand that the most important matter they manage is health and safety. Therefore, we believe that our commitment to maintaining Health and Safety Management System Accreditation is fundamental to our company. Network Waitaki Limited has met the Tertiary level requirements for ACC Workplace Safety Management Practices and is certified for the period 1 November 2016 to 31 October 2018.

SOURCES OF INFORMATION

Network Waitaki's website, www.networkwaitaki.co.nz, contains information about our policies and operations. Paper copies are available from our office at 10 Chelmer Street Oamaru.

Information available on the

Other websites of interest include:

Network Waitaki website includes:

www.comcom.govt.nz (Commerce Commission)

Network Disclosures

www.utilitiesdisputes.co.nz (Utilities Disputes Ltd)

Pricing Methodology

www.ea.govt.nz (Electricity Authority)

Tariff

www.mbie.govt.nz (Ministry of Business, Innovation and Employment)

Use of System Agreement

www.transpower.co.nz (Transpower)

Price Path Threshold

www.contact.co.nz (Contact Energy)

Tree Management

www.genesisenergy.co.nz (Genesis Energy)

Network Assets Management Plan

www.meridianenergy.co.nz (Meridian Energy)

Working Around Overhead Lines

www.mercury.co.nz (Mercury Energy)

Statement of Corporate Intent

www.trustpower.co.nz (TrustPower)

www.whatsmynumber.org.nz (Consumer Powerswitch)

www.eeca.govt.nz (Energy Efficiency and Conservation Authority)

Feedback: email service@networkwaitaki.co.nz with suggestions on how we can improve our reporting and consulting with consumers.



INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF NETWORK WAITAKI LIMITED'S FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 31 MARCH 2018

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

Opinion on the financial statements and the performance information

We have audited:

- the financial statements of the company on pages 11 to 28, that comprise the statement of financial position as at 31 March 2018, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the company on pages 29 to 30.

In our opinion:

- the financial statements of the company:
 - present fairly, in all material respects:
 - its financial position as at 31 March 2018; and
 - its financial performance and cash flows for the year then ended; and
 - comply with generally accepted accounting practice in New Zealand in accordance with New Zealand equivalents to International Financial Reporting Standards Reduced Disclosure Regime; and
- the performance information of the company presents fairly, in all material respects, the company's achievements measured against the performance targets adopted for the year ended 31 March 2018.

Our audit was completed on 28 May 2018. 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.

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Basis for our opinion

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

Our responsibilities arise from the Public Audit Act 2001.



Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 2 to 10, but does not include the financial statements and the performance information, and our auditor's report thereon.

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

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

Independence

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

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

A handwritten signature in black ink, appearing to read 'Nathan Wylie', with a large, stylized flourish at the bottom.

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

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