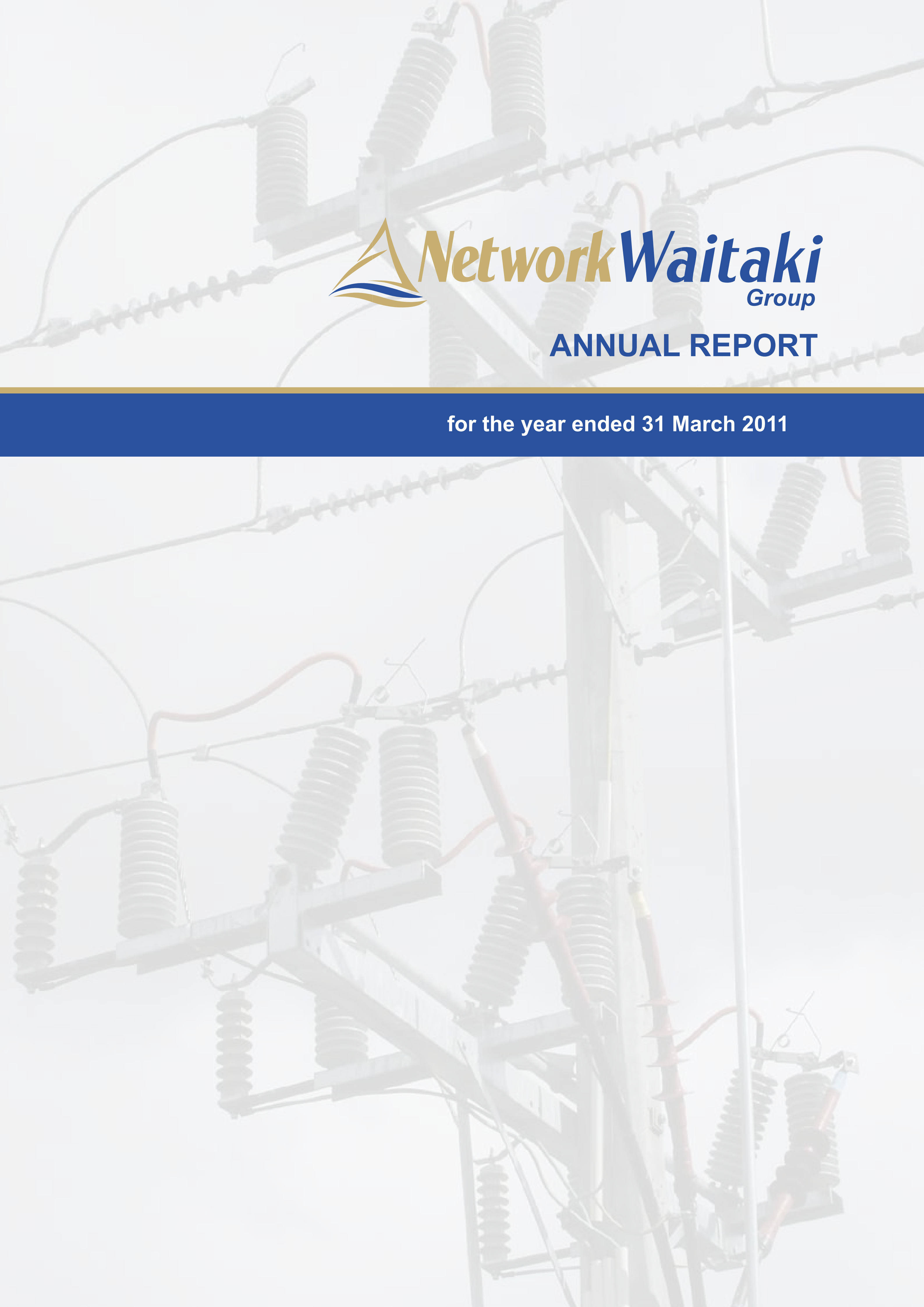
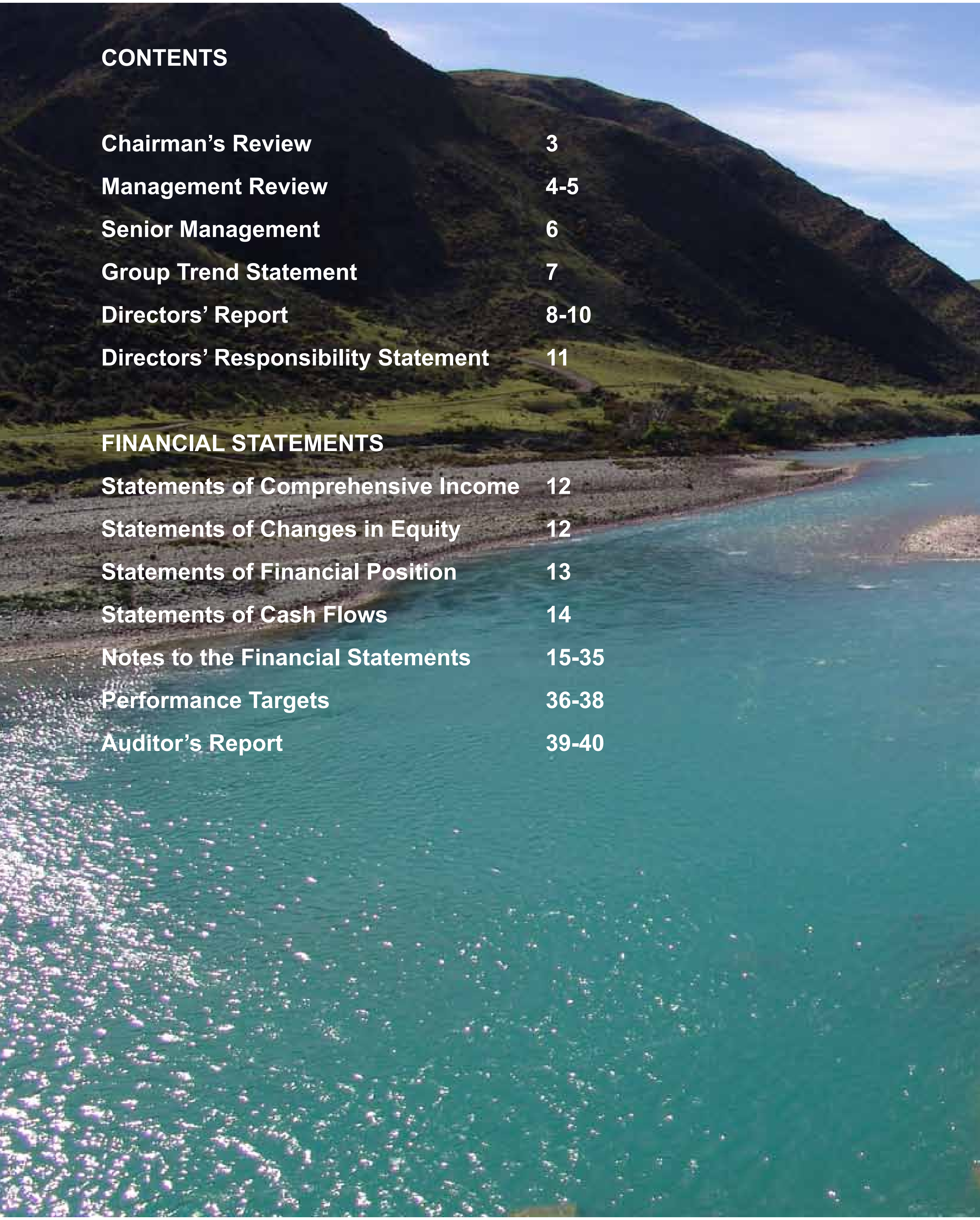


Network Waitaki Group

ANNUAL REPORT

for the year ended 31 March 2011



CONTENTS

FINANCIAL STATEMENTS

DIRECTORY

DIRECTORS:
Mrs C.M. Kearney (Chairman)
Mr D. Atkinson
Mr L.M. Malcolm
Mr D.N. Sinclair
Mr J.D. Walker

SOLICITORS:
Berry & Co, Eden Street,
Oamaru

AUDITORS:
Robert Harris
PricewaterhouseCoopers,
Christchurch, on behalf of
the Auditor-General

REGISTERED OFFICE:
10 Chelmer Street,
Oamaru

CHIEF EXECUTIVE:
Mr G.B. Clark

PRINCIPAL BANKERS:
National Bank, The
Octagon, Dunedin

CHAIRMAN'S REVIEW

It is my pleasure, on behalf of the Board of Directors of the Network Waitaki Group, to present the financial accounts for the 2010/11 year.

This year Network Waitaki Limited, and its subsidiary company Network Waitaki Contracting Limited, delivered to all consumers of electricity in the greater Waitaki area the benefits of consumer ownership of the company.

These benefits include:

- The company provides low cost, efficient, reliable and safe distribution of electricity to all consumers. Network Waitaki Limited is consistently ranked amongst lowest price/kW group across all Electricity Lines Company. Along with that we are ranked consistently high for performance of the network. We are justifiably proud of these achievements.

- This year we have been able to return, across all consumer groups, a discount of $2.37 million (ex GST). This is paid via a credit on consumers' electricity accounts.

- Continued investment into security and development of the electricity lines network. This is an on-going commitment to consumers, to improve the quality and supply of electricity across our network.

Further, Network Waitaki Limited have provided funds, through sponsorships, to support various initiatives in our community. We are delighted to assist these community groups who do so much good in our area.

We are especially pleased to be able to provide a young engineering student, Peter Knight, with a scholarship to study electrical engineering. Peter was a pupil at Waitaki Boys High School and is in his first year of study at Canterbury University.

Safety of Network Waitaki staff and indeed the safety and security of the network has been a focus over the past year. Contracting staff have been participants in a safety initiative which involves setting targets and self-monitoring. There has been a consistently favourable safety record over the past year, showing the high degree of commitment by staff to this process. Staff safety is however, something that requires continued diligence and monitoring. The Board of Directors fully support management initiatives in improving safety and conditions in the workplace.

This year the Board of Directors received an independently contracted report assessing network risk and emergency preparedness. This report gives Directors confidence in the preparedness of the Company to respond to an emergency.

Over the past four years, Network Waitaki Limited, along with our stakeholder groups and neighbours, Alpine Energy Limited, has been in consultation with Transpower Limited over the future electricity supply requirements for this community. Transpower Limited is the owner and operator of the national grid, the transmission network to which we are connected via the Waitaki Valley. Security, quantity and quality of supply have been the discussion issues. Network Waitaki Limited has been working on behalf of consumers and stakeholders to reach an acceptable solution to any potential transmission constraints on our network.

Network Staff numbers increased this year and two trainee line mechanics have started in the contracting division. Demand for network services has been consistent over the past year with steady enquiries for new connections. Although we have seen a reflection on our growth of the greater economic climate the country is in, there has continued to be development in demand on the network. This is a good and positive sign for our region.

Future developments for the company include the development of fibre optic cable to upgrade our network assets. Network Waitaki has been involved in the New Zealand Regional Fibre Group since its inception and we are positive about the future of ultra-fast broadband in our region. This has the potential to be an exciting development for consumers. Technology is changing how our network will be in the future and the Board of Directors are encouraging management in investigating options to benefit the network for our consumers.

I would like to thank Graham Clark, CEO of Network Waitaki, for his continued outstanding management of the company over the past twelve months. Graham and all Network Waitaki staff work hard, on behalf of consumers, for the benefit of company. Network Waitaki Limited, through all of their efforts, is a consumer owned company we can all be proud of.

My thanks extends to my fellow Directors, whose steady and committed governance over the year has been reflected in the positive outcomes the company has achieved. This year's results are the foundation for further developments for Network Waitaki Limited for the future.

I would also like to extend our company support to networks Orion Limited and Mainpower Limited, Christchurch and Rangiora respectively, following the dreadful year they have had with the continued seismic activity in their regions.

Clare Kearney
Chairman

MANAGEMENT REVIEW

INTRODUCTION

I am pleased to report on the successful performance of Network Waitaki during the 2010/11 year in delivering service to its consumers and supporting the community it serves.

The Company's Directors and staff strive to meet its consumer needs by:

- providing a reliable electricity distribution network, and
- returning the benefits of being consumer owned to consumers through competitively priced line charges and discounts.

Network Waitaki meets the consumer-owned criteria set out in section 54D of the amendments to the Commerce Act 1986.

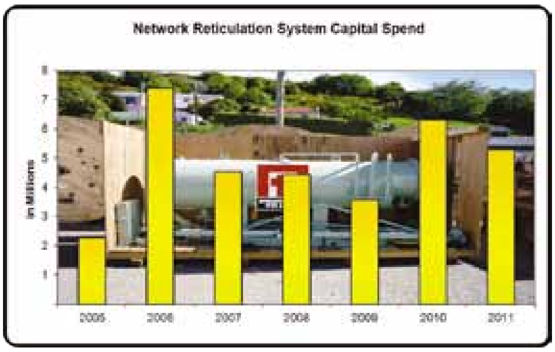
SYSTEM RELIABILITY

System reliability is one of the key measures that consumers use to judge the performance of Network Waitaki. This reliability is expressed by the measurement known as SAIDI. SAIDI measures the average minutes of lost power supply experienced per consumer during the year. Network Waitaki has a benchmark of 70.28 set by the regulator based on the 5-year average to 2003. Network Waitaki has a strong focus on network maintenance, vegetation management, network design and work practice that has for the third consecutive year seen the SAIDI minutes being less than the benchmark and significantly less than the national median.

SAIDI	2010 - 2011	2009 - 2010	2008 - 2009	2007 – 2008
Planned	11.38	14.68	10.76	24.14
Unplanned	50.08	49.55	58.59	70.58
Total	61.46	64.23	69.35	94.64
National Median	N/A	153.8	200.9	139.9

CAPITAL PROJECTS

Despite the decline in the economy in the previous year there continues to be a demand for new electricity supplies that have required significant capital investment. In addition to customer-driven capital expenditure, significant capital projects have been undertaken to maintain the security of the network and to meet the growing demand for electricity. Total network capital expenditure for the year has been $4.9m or 1.75 times network depreciation.



Larger projects undertaken have included:

- the rebuild (stage 2) of Station Peak 11kV feeder,
- the upgrade (stage 3) of the Kakanui Valley Rd 11kV line,
- a new 33kV line between Duntroon and Ngapara,
- a new 33/11kV substation at Duntroon.

FIBRE OPTIC NETWORKS

Network Waitaki has been actively involved in evaluating business opportunities associated with the development of a fibre optic network. As part of these investigations, Network Waitaki has become a member of New Zealand Regional Fibre Group which has supported its members in the preparation of proposals for development in response to the Government's Ultra-Fast Broadband Initiative (UFBI) and its Rural Broadband Initiative. To date, no decision has been made by Crown Fibre Holdings on who will be part of the development of the UFBI in Oamaru. The rural initiative has been awarded to Telecom and Vodafone. Network Waitaki owns 80 km of Fibre Optic Cable and is planning to expand this network.

TRANSMISSION

In association with Alpine Energy, Network Waitaki is working with Transpower to identify options for the upgrade of transmission to the North Otago and South Canterbury regions. Three options have been shortlisted, with local stakeholders supporting the option that provides for a long-term solution. This involves the building of a 110kV line between Livingstone and Oamaru. The other options provide for upgrades to existing lines; these options provide less capacity than the supported option and come at considerable cost to the North Otago community. The supported option is reliant upon the decision of Holcim to build the cement works at Weston; consequently no decision will be made until the last quarter of the 2011 calendar year.

CONTRACTING

Network Waitaki Contracting provides Network Waitaki with the linesmen necessary for the maintenance and construction of its electricity distribution network. This provides consumers with competitive pricing for the construction and maintenance of consumer service lines. The presence of Network Waitaki Contracting in Oamaru allows for prompt response to events on Network Waitaki's network.

STAFFING

The Network Waitaki Group is fortunate to be able to attract staff who are committed to serving the Company and its consumers. Staff are encouraged to undertake training to develop their potential in their respective fields.

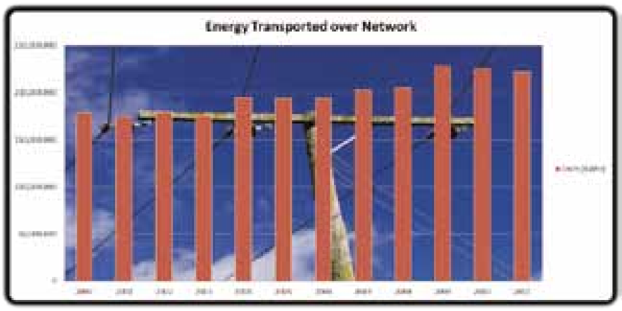
Workplace safety continues to receive high attention; as part of this safety focus Network Waitaki Contracting has been a party to the Electrical Engineers' Association pilot safety scheme. This scheme has involved the participation of all contracting staff. Network Waitaki Contracting achieved 346 continuous lost time incident free days, a very good achievement.

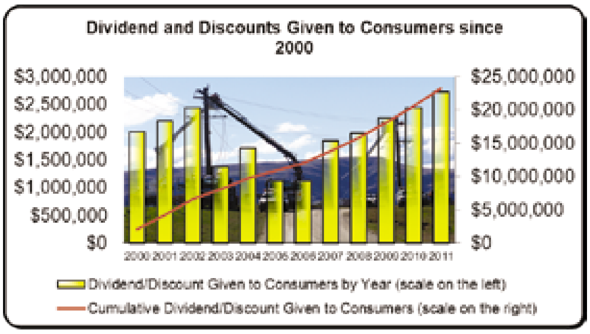
SCHOLARSHIP

Network Waitaki awards a scholarship for tertiary education to students who are studying for a degree relevant to the electricity industry. The 2011 recipient was Peter Knight, a former Waitaki Boys' High School Dux

NETWORK UTILISATION

Utilisation of the electricity network has seen significant growth over recent years from irrigation and dairy developments. Irrigation is by far the greater contributor to the growth and need for investment in the network. Irrigation demands are weather dependent. The wet January to March 2011 period has resulted in a significant reduction in units transported across the network, resulting in an overall 5.83% decline for the year.





CONSUMER BENEFITS

Network Waitaki consumers receive two key benefits of a consumer-owned lines company: low line charges and annual discount payments. The discounts are made possible by profits, surplus to the requirements for development, being returned to consumers. For the current year the discount excluding GST was $2,367,000. The accompanying chart shows the funds returned to consumers since 2000.

SPONSORSHIP

The Company gave grants this year amounting to $72,200. Significant sponsorship included:-

North Otago Recreational Turf Trust	10,000	26 Squadron Air Training Corps	2,000
North Otago Rugby Union	9,000	North Otago Basketball Assn.	1,500
Victorian Town at Work	7,000	North Otago Cricket Assn.	1,500
Scouting North Otago Jamboree Committee	4,500	North Otago Junior Lawn Tennis Assn.	1,500
North Otago Sports Bodies Assn.	3,000	Oamaru Steam & Rail Restoration	1,500
Waitaki Boys' High School	2,500	Waitaki Road Safe Inc.	1,500
Waitaki Girls' High School	2,500	Summer Camp	1,200
Sport Otago	2,500	CCS Disability Action Waitaki Inc.	1,000
Living History New Zealand	2,000	Diabetes NZ North Otago Inc.	1,000
North Otago Principals' Assn.	2,000	Nicol's Blacksmith Duntroon	1,000
Plunket Society Car Seat Rental Scheme	2,000	Oamaru Albion Cricket Club Inc.	1,000
Vanished World Inc.	2,000	Oamaru Parents' Centre	1,000

Graham Clark
Chief Executive

SENIOR MANAGEMENT

Graham Clark, CEO

Graham manages the day to day operation of the Group. Having had a long association with Network Waitaki during which he has held many administrative and financial management roles, Graham is well-equipped to lead the company in a manner which meets the needs of stakeholders.

Kamlesh Prasad, Network Operations Manager

Kamlesh heads the network engineering team which is responsible for the design and management of the distribution system. Kamlesh is a Chartered Engineer and his qualifications include a Bachelor of Electrical Engineering and a Diploma in Management Studies.

Derek Atkinson, Technical Services Manager

Derek's team is responsible for the delivery of technical services to the company .He also oversees the metering division. His involvement with the company started in 1977 and has included many engineering, technical and operational roles within the company.

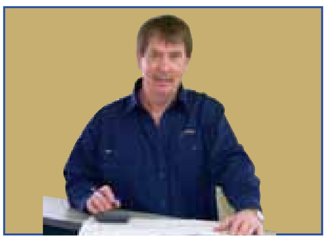
Ken Mitchell, Network Planning and Development Manager

Ken has looked after long-term planning and has had involvement in system engineering for larger projects for a number of years. Ken has an Honours Degree in Electrical Engineering and was previously the CEO of Eastland Network. He is currently involved in identifying and reviewing business opportunities for Network Waitaki Ltd.

Doreen Cleave, Finance Manager

Doreen is responsible for providing financial support to the Company. She is a Chartered Accountant and previously worked in public practice with a chartered accounting firm local to Oamaru.

Derek McGee, Manager of Network Waitaki Contracting Limited



Derek has over 37 years of experience in the construction and management of electrical sub-transmission and distribution systems. Derek leads a committed team which works around the clock to ensure that the power stays on.

GROUP TREND STATEMENT

	2011 $'000	2010 $'000	2009 $'000	2008 $'000	2007 $'000
FINANCIAL PERFORMANCE					
Operating Revenue	16,382	16,062	14,635	13,737	12,325
Operating Surplus before Tax and before Associated Earnings	2,408	2,970	3,197	3,147	1,904
Associate Company Earnings	0	0	(113)	0	799
Operating Profit before Tax	2,408	2,970	3,084	3,147	2,703
Taxation	(1,052)	(382)	(389)	556	80
Net Surplus	1,356	2,588	2,695	3,703	2,783
Shareholders' Distributions	0	1,250	100	100	100
Customer Discounts	2,367	2,164	2,006	1,755	1,643
FINANCIAL POSITION					
Current Assets	8,379	10,838	11,075	7,694	7,276
Non-Current Assets	71,049	65,656	62,194	62,871	61,107
Total Assets	79,428	76,494	73,269	70,565	68,383
Liabilities	14,887	13,309	11,423	11,313	12,734
Net Assets	64,541	63,185	61,846	59,252	55,649
Share Capital	14,571	14,571	14,571	14,571	14,571
Reserves	0	0	0	0	0
Retained Earnings	49,970	48,614	47,275	44,681	41,078
Equity	64,541	63,185	61,846	59,252	55,649
FINANCIAL RATIOS					
Accounting Return on Total Assets					
Before Discount	4.69%	5.36%	5.59%	7.04%	6.36%
After Discount	1.71%	3.38%	3.68%	4.56%	3.95%
Accounting Return on Equity					
Before Discount	5.77%	6.49%	6.63%	8.38%	7.81%
After Discount	2.10%	4.10%	4.36%	5.42%	4.86%
NPAT to Shareholders Funds	2.10%	4.10%	4.36%	6.36%	4.97%
Current Ratio	2.53	4.63	6.46	5.13	3.84
NPAT Earnings Per Share in Cents					
Before Discount	26.60	29.31	29.28	34.34	27.64
After Discount	9.69	18.49	19.25	26.94	19.77
Net Assets Per Share	$4.61	$4.51	$4.42	$4.24	$3.97
STATISTICS					
SAIDI	61.46	64.23	69.35	94.67	107.03
SAIFI	0.82	1.46	1.08	2.10	1.16
CAIDI	75.08	43.98	64.50	44.99	92.62
Direct Line Cost per km of line	$1,168	$1,333	$1,155	$942	$1,005
Indirect Line Cost per Consumer	$64	$69	$68	$63	$58

Notes:
2011, 2010 and 2009 represent the performance of the Group; all other years represent the performance of the Parent.
Financial figures have been prepared in accordance with NZ IFRS.

DIRECTORS' REPORT

GENERAL DISCLOSURES

PRINCIPAL ACTIVITIES

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

REVIEW OF OPERATIONS

GROUP
The Operating Revenue (before customer discount) was $16,382,533 (2010 $16,061,602) for the year.
Operating Profit before Taxation is $2,408,199 (2010 $2,970,670).

PARENT
The Operating Revenue (before customer discount) was $15,702,646 for the year, (2010 $15,640,199).
Operating Profit before Taxation is $2,348,784 (2010 $2,963,248).

SHARE CAPITAL

Total issued and paid up capital as at 31 March 2011 was 14,000,000 Ordinary Fully-Paid Shares. There has been no movement in Share Capital during the year.

DIVIDENDS

2010-2011
No dividend was declared for the 2010-2011 year

2009-2010

Date Declared	Solvency Certificate Prepared	After Tax Amount
27 April 2009	Yes	$100,000
22 March 2010	Yes	$1,150,000
		$1,250,000

DISCOUNT

A discount (excluding GST) of $2,367,021 has been paid to Customers (2010 $2,164,495).

DONATIONS

Network Waitaki Limited made donations totaling $72,200 in the year (2010 $68,895).

The Group made donations totaling $72,286 in the year (2010 $68,895).

CORPORATE GOVERNANCE

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

Board of Directors

The Board is the governing body of the Group and currently has five members. The Board is appointed by the shareholders to oversee the management of the Group and is responsible for all corporate governance matters. The Board endeavours to ensure that the activities undertaken are carried out in the best interests of all shareholders, while respecting the rights of other stakeholders. The board met twelve times during the financial year.

Responsibilities

The Board is responsible for the management, supervision and direction of the Group. 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.

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' INTERESTS IN CONTRACTS

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.

Clare Kearney (Chairman)

Clare has been a member of the board since 2005 and Chairman from July 2008.

Currently Clare is a shareholder of Veterinary Centre Limited, a Trustee of Waitaki Community Gardens, a Trustee of KP & CM Kearney Family Trust and Chairman of Network Waitaki Contracting Limited.

Lindsay Malcolm

Lindsay has been a Director since June 1997 and was Chairman from June 2001-2008. Lindsay is a Director of Network Waitaki Contracting Limited.

Lindsay was a Director of NetCon Limited until 1 October 2008.

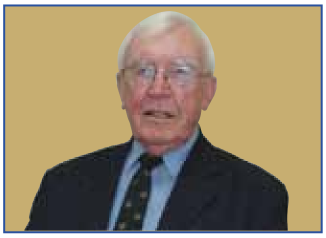
Derek Atkinson

Derek has been a Director since June 2010. He is a Director of Network Waitaki Contracting Limited and a Director and Shareholder of Coptrod Holdings Limited

John Walker

John has been a Director since June 2005.

John is Chairman of Whitestone Contracting Limited, Committee Member of Weston Progress League, Site Manager for Rainbow Confectionary Limited, and a Director of Network Waitaki Contracting Limited.



David Sinclair

David has been a Director since June 2003.

David is a Director and Shareholder of Willsher Investments Limited and Director and Shareholder of Intersouthern Holdings Limited and subsidiaries and is a Director of Network Waitaki Contracting Limited.

Graeme Hamilton

Director: (Until: 30 June 2010)

Transportation Manager for Dunedin City Council since October 2008 and Director of Network Waitaki Contracting Limited (until 30 June 2010).

Daniel Hailes

Director: (01 July 2010 -31 December 2010)

Plant Manager of Alliance Group Ltd.
Chairman of St Kevin's College Board of Trustees. Trustee of DJ & SG Hailes Family Trust. Director of Network Waitaki Contracting Limited (until 31 December 2010)

Peter Garvan

Director: (Until: 30 June 2010)

President of The North Otago Club Inc. Councillor for the Waitaki District Council. Chairman of the WDC Opera House Subcommittee. Independent Member of Otago Forward. Committee member of North Otago Branch, NZ Historic Places Trust. Trustee of Oamaru Whitestone Civic Trust and of the Oamaru Licensing Trust. Director of Totara Hotels Limited, Beckingsale Garvan Limited and Network Waitaki Contracting Limited (until 30 June 2010).

DIRECTORS' REPORT (CONTINUED)

INDEMNIFICATION AND INSURANCE OF OFFICERS AND DIRECTORS

The Group 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, the Network Waitaki Group 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.

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.

REMUNERATION OF DIRECTORS

Shareholders authorised total Directors' remuneration of $170,000 for activities undertaken by Directors on behalf of the company. One Director resigned during the year and total remuneration was not distributed.

	Total Directors' fees paid $
Mrs. C.M. Kearney	39,375
Mr. D. Hailes	13,000
Mr. D Atkinson	19,500
Mr. P.D. Garvan	6,125
Mr. G.D. Hamilton	6,125
Mr. L.M. Malcolm	25,625
Mr. D.N. Sinclair	25,625
Mr. J.D. Walker	25,625
Total Directors' fees	161,000

EMPLOYEE REMUNERATION

The Companies Act 1993 requires the number of employees receiving remuneration greater than $100,000 to be disclosed. Two employees of Network Waitaki Limited received remuneration in the range of $100,000 to $110,000, one employee received remuneration in the range of $110,000 to $120,000, one employee received remuneration in the range of $140,000 to $150,000 and one employee received remuneration in the range of $190,000 to $200,000.

EVENTS SUBSEQUENT TO BALANCE DATE

The Directors are not aware of any other matter or 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 is responsible for the audit of Network Waitaki Limited. In accordance with Section 29 of the Public Finance Act 1977, the Controller and Auditor-General has contracted the audit of Network Waitaki Limited to Robert Harris using the staff and resources of PricewaterhouseCoopers. The auditor's fee for 2010/11 was $35,779 for Network Waitaki Limited. The Group's audit fee for 2010/11 was $47,329

Clare Kearney
Chairman

John Walker
Director

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for ensuring that the financial statements give a true and fair view of the financial position of the Network Waitaki Group as at 31 March 2011 and its financial performance and cash flows for the year ended on that date.

The Directors consider that the financial statements of the Network Waitaki Group have been prepared using appropriate accounting policies consistently applied and supported by reasonable judgments 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 the Network Waitaki Group and facilitate compliance of the financial statements with the Financial Reporting Act 1993.

The Directors consider they have taken adequate steps to safeguard the assets of the Network Waitaki Group 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 2011.

The Board of Directors of Network Waitaki Limited authorises these Financial Statements for issue on 30 May 2011.

For and on behalf of the Board of Directors

Clare Kearney
Chairman

John Walker
Director

STATEMENTS OF COMPREHENSIVE INCOME
for the year ended 31 March 2011

	Notes	Group 2011 $	2010 $	Parent 2011 $	2010 $
Operating Revenue	2	16,382,533	16,061,602	15,702,646	15,640,199
Less					
Customer Discount		(2,367,021)	(2,164,495)	(2,367,021)	(2,164,495)
Operating Revenue after Customer Discount		14,015,512	13,897,107	13,335,625	13,475,704
Less					
Operating Expenses	3	(3,029,678)	(2,899,332)	(3,199,789)	(3,213,578)
Transmission Costs		(3,636,021)	(3,465,787)	(3,636,021)	(3,465,787)
Employee Costs		(1,853,713)	(1,784,980)	(1,301,162)	(1,221,345)
Depreciation, Amortisation and Impairment	4	(3,087,901)	(2,776,338)	(2,849,869)	(2,611,746)
Operating Profit Before Tax		2,408,199	2,970,670	2,348,784	2,963,248
Taxation	5	(1,051,722)	(382,343)	(992,251)	(312,504)
Net Profit for the Year		**1,356,477**	**2,588,327**	**1,356,533**	**2,650,744**
Total Comprehensive Income		**1,356,477**	**2,588,327**	**1,356,533**	**2,650,744**

STATEMENTS OF CHANGES IN EQUITY
for the year ended 31 March 2011

GROUP

	Share Capital $	Retained Earnings $	Total Equity $
Balance at 1 April 2009	14,571,119	47,275,342	61,846,461
Profit for the year, being total comprehensive income	0	2,588,327	2,588,327
Dividend	0	(1,250,000)	(1,250,000)
Balance at 31 March 2010	**14,571,119**	**48,613,669**	**63,184,788**
Balance at 1 April 2010	14,571,119	48,613,669	63,184,788
Profit for the year, being total comprehensive income	0	1,356,477	1,356,477
Balance at 31 March 2011	**14,571,119**	**49,970,146**	**64,541,265**

PARENT

	Share Capital $	Retained Earnings $	Total Equity $
Balance at 1 April 2009	14,571,119	47,008,398	61,579,517
Profit for the year, being total comprehensive income	0	2,427,695	2,427,695
Dividend	0	(1,250,000)	(1,250,000)
Balance at 31 March 2010	14,571,119	48,409,142	62,980,261
Balance at 1 April 2010	14,571,119	48,409,142	62,980,261
Profit for the year, being total comprehensive income	0	1,356,533	1,356,533
Balance at 31 March 2011	14,571,119	49,765,675	64,336,794

STATEMENTS OF FINANCIAL POSITION

as at 31 March 2011

		Group		Parent	
	Notes	2011 $	2010 $	2011 $	2010 $
ASSETS					
CURRENT ASSETS					
Cash and Cash Equivalents		1,446,566	2,830,918	935,257	2,054,449
Current Investments		5,700,000	6,340,000	5,700,000	6,340,000
Trade and Other Receivables	6	738,082	875,814	708,549	827,925
Inventories	10	385,276	358,462	0	0
Work in Progress		7,919	216,860	0	0
Taxation Refund Due		0	113,980	0	92,735
Deferred Tax	5	101,621	101,825	40,642	101,825
TOTAL CURRENT ASSETS		**8,379,464**	**10,837,859**	**7,384,448**	**9,416,934**
NON-CURRENT ASSETS					
Investments in Subsidiary	7	0	0	1,000,000	1,000,000
Loan to Subsidiary	7	0	0	573,074	573,074
Property, Plant and Equipment	8	0,102,934	64,824,471	69,260,479	64,244,195
Intangible Assets	9	459,488	272,466	451,208	245,757
Inventories	10	486,182	559,465	486,182	559,465
TOTAL NON-CURRENT ASSETS		**71,048,604**	**65,656,402**	**71,770,943**	**66,622,491**
TOTAL ASSETS		**79,428,068**	**76,494,261**	**79,155,391**	**76,039,425**
LIABILITIES					
CURRENT LIABILITIES					
Trade and Other Payables	11	2,835,465	1,952,164	3,035,412	1,870,530
Employee Entitlements	12	420,320	387,903	133,825	133,617
Taxation Payable		54,559	0	25,152	0
TOTAL CURRENT LIABILITIES		**3,310,344**	**2,340,067**	**3,194,389**	**2,004,147**
NON-CURRENT LIABILITIES					
Loan from Waitaki Power Trust	16	1,150,000	1,150,000	1,150,000	1,150,000
Deferred Tax	5	10,426,459	9,819,406	10,474,208	9,905,017
TOTAL NON-CURRENT LIABILITIES		**11,576,459**	**10,969,406**	**11,624,208**	**11,055,017**
TOTAL LIABILITIES		**14,886,803**	**13,309,473**	**14,818,597**	**13,059,164**
EQUITY					
Share Capital	13	14,571,119	14,571,119	14,571,119	14,571,119
Retained Earnings	14	49,970,146	48,613,669	49,765,675	48,409,142
TOTAL SHAREHOLDERS' EQUITY		**64,541,265**	**63,184,788**	**64,336,794**	**62,980,261**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**79,428,068**	**76,494,261**	**79,155,391**	**76,039,425**

STATEMENTS OF CASH FLOWS
for the year ended 31 March 2011

	Notes	Group 2011 $	Group 2010 $	Parent 2011 $	Parent 2010 $
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash was Provided from:					
Receipts from Customers		13,993,055	12,114,360	13,103,868	12,931,135
Interest Received		361,456	585,682	387,429	558,485
		14,354,511	12,700,042	13,491,297	13,489,620
Cash was Disbursed to:					
Payments to Suppliers and Employees		(7,228,253)	(7,003,361)	(6,693,928)	(7,989,613)
Income Tax Paid		(275,926)	(425,285)	(243,990)	(313,352)
Net GST Paid		(117,462)	(28,176)	(201,267)	(68,223)
		(7,621,641)	(7,456,822)	(7,798,095)	(8,371,188)
NET CASH FROM OPERATING ACTIVITIES	15	**6,732,870**	**5,243,220**	**6,352,112**	**5,118,432**
CASH FLOWS FROM INVESTING ACTIVITIES					
Cash was Provided from:					
Proceeds of Sale of Assets		41,270	1,198,328	0	1,188,240
		41,270	1,198,328	0	1,188,240
Cash was Applied to:					
Purchase of Property, Plant and Equipment and Intangible Assets		(8,798,492)	(5,990,104)	(8,276,279)	(6,262,231)
		(8,798,492)	(5,990,104)	(8,276,279)	(6,262,231)
NET CASH FROM INVESTING ACTIVITIES		**(8,757,222)**	**(4,791,776)**	**(8,276,279)**	**(5,073,991)**
CASH FLOWS FROM FINANCING ACTIVITIES					
Cash was Provided from:					
Loan from Waitaki Power Trust		0	1,150,000	0	1,150,000
Dividend from Network Waitaki Contracting Ltd		0	0	164,971	175,000
		0	1,150,000	164,971	1,325,000
Cash was Applied to:					
Dividend Paid to Shareholders		0	(1,250,000)	0	(1,250,000)
		0	(1,250,000)	0	(1,250,000)
NET CASH FROM FINANCING ACTIVITIES		0	(100,000)	164,971	75,000
NET INCREASE/(DECREASE) IN CASH HELD		**(2,024,352)**	**351,444**	**(1,759,196)**	**119,441**
Cash and Cash Equivalents at Beginning of the Year		9,170,918	8,819,474	8,394,449	8,275,008
CASH, CASH EQUIVALENTS AND DEPOSITS ON CALL AT END OF THE YEAR		**7,146,566**	**9,170,918**	**6,635,253**	**8,394,449**

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES

ENTITY REPORTING

Network Waitaki Limited (the "Parent") and its subsidiary and associates (together the "Group") is a consumer trust-owned electricity distribution network operator in North Otago. The Group's registered office is 10 Chelmer Street, Oamaru, New Zealand.

The Group for financial reporting comprises Network Waitaki Limited, the parent company, and its fully owned subsidiary: Network Waitaki Contracting Limited.

PARENT TRUST

The parent trust is the Waitaki Power Trust.

GENERAL INFORMATION

The financial statements for the "Parent" are for Network Waitaki Limited as a separate legal entity.

The consolidated financial statements for the Group are for the economic entity comprising Network Waitaki Limited and its subsidiary.

The Parent is a limited liability company incorporated and domiciled in New Zealand.

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

DATE OF ISSUE FOR THE FINANCIAL STATEMENTS

These financial statements have been approved for issue by the Board of Directors on 30 May 2011.

PROFIT-ORIENTED ENTITY

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

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 1993, the Companies Act 1993 and the Energy Companies Act 1992.

FUNCTIONAL AND PRESENTATION CURRENCY

The Group's financial statements are presented in whole New Zealand dollars, which is the Group'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 is reported.

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

The preparation of financial statements in conformity with NZ IFRS 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 under the circumstances. These estimates and judgments form the basis for making judgments about 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)

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING THE ENTITY'S 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 Group'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 depreciation rates reflect the depreciation rates in the ODV handbook issued by the Commerce Commission in 2004.

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 Group. 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 Group completes the actual work.

Grants
Assets constructed, for which a government grant is received, are recorded net of the grant. Other grants received are recognised in the Statement of Comprehensive Income when the requirements under the grant agreement have been met. Any grants for which the requirements under the grant agreement have not been completed are carried as liabilities until all the conditions have been fulfilled.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
REVENUE (CONTINUED)

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.

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 Group 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 is that expenditure incurred in maintaining and operating the property, plant and equipment and investment properties of the Group.

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 includes 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.

CURRENT INVESTMENTS
Current investments comprise cash deposits held with financial institutions with a maturity greater than three months and less than twelve months.

HELD FOR SALE ASSETS
An asset is classified as 'held for sale' if its carrying amount will be recovered principally through a sale rather than continuing use. On classification as 'held for sale', assets are recognised at the lower of carrying amount and fair value less costs to sell. Impairment losses on initial classification as 'held for sale' are included in the Statement of Comprehensive Income.

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CAPITAL RISK MANAGEMENT

The Group'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 Group is not subject to any externally imposed capital requirements.

In order to maintain or adjust the capital structure, the Group 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 Group 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.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment comprises 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 11kV and 33kV 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.

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; all other assets are depreciated using both straight line and diminishing value.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Depreciation of Property, Plant and Equipment (continued)

The following depreciation rates have been used:

Item	Depreciation rate
Contracting Equipment	10.0% to 30.0%
Distribution System	1.4% to 10.0%
Fibre Network	8.5%
Freehold Buildings	1.0% to 2.5%
Motor Vehicles	15.0% to 26.0%
Plant and Equipment	7.5% to 80.4%
Office Furniture and Equipment	10.0% to 36.0%

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

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	25% to 36%

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 AND WORK IN PROGRESS

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.

Non-current inventories are exclusively used in the production of the Group's non-current assets.

Work in progress comprises the cost of direct materials, direct plant costs, and direct labour costs, less non-recoverable amounts.

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.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Group has are loans and receivables.

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 Group'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.

Market risk

(i) Foreign exchange risk

The Group's revenue is entirely denominated in New Zealand dollars and it has limited currency exposure in the foreseeable future. The Group 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 Group 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 Group 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 Poors 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 $2.5 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 Group. The Group 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 Group's debt financing plans and compliance with the Statement of Corporate Intent.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk (continued)
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 19 analyses the Group's non-derivate financial liabilities and net-settled derivative financial liabilities in 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 Group 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 Group becomes obliged to make future payments resulting from the purchase of goods and services. Trade and Other Payables are recognised at fair value.

PROVISIONS

Provisions are recognised when the Group 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.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Group expects to pay as a result of unused sick or special leave that has accumulated at balance date.

Long service leave
Long service leave within the Group is recognised differently for each Company due to each company having its own factors which will affect the likelihood of staff incurring long service leave.

The Parent
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

Subsidiaries
An allowance for long service leave is assigned at the commencement of employment. This provision is discounted back to its current value and weighted against the probability of the staff member actually incurring the long service leave. 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 Group 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 Group is the Lessee
Leases in which the Group 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.

The property, plant and equipment acquired under a finance lease is depreciated over the shorter of the asset's useful life and the lease term.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

BASIS OF CONSOLIDATION

The consolidated financial statements are prepared by combining the financial statements of 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.

Subsidiaries

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

The Group financial statements incorporate the financial statements of the entities that comprise the consolidated group, being the Parent, Network Waitaki Limited and its subsidiary, Network Waitaki Contracting Limited. Consistent accounting policies are used in the preparation and presentation of the consolidated financial statements.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair value 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 value of the identifiable net asset acquired exceeds the cost of acquisition, the deficiency is credited to profit or loss in the period of acquisition.

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

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

NEW STANDARDS AND INTEPRETATION NOT YET ADOPTED

Certain new standards, amendments and interpretations of existing standards have been published that are mandatory for later periods and which the Company has not early adopted. These will be applied by the Group in the mandatory periods listed below. The key items applicable to the Company are:

- ***NZ IAS 24: Related Parties (Revised)*** (mandatory for periods beginning on or after 1 January 2011)
  Further clarifies the definition of a related party which may result in other related parties being identified. Management have reviewed the proposed clarification and do not expect that this will result in further related parties being identified for the Company.

The following new standards and amendments to standards were applied during the period;

- ***NZ IFRS 3: Business Combinations (Revised) and NZ IAS 27: Consolidated and Separate Financial Statements (Revised)***

  This amendment includes a number of updates including the requirement that all costs relating to a business combination must be expensed and subsequent re-measurement of the business combination must be put through the income statement. Both standards were required to be adopted at the same time. As the Company has had no transactions involving business combinations there has been no impact from the application of these new standards.

	Group		Parent	
	2011	2010	2011	2010
	$	$	$	$

2 OPERATING REVENUE

Operating Revenue Comprises:				
Network	12,500,680	12,423,309	12,500,680	12,423,309
Capital Contributions	1,485,121	1,669,439	1,485,121	1,669,439
Metering	783,325	757,948	783,325	757,948
Interest	361,456	393,302	387,429	405,605
Bad Debts Recovered	483	462	483	462
Dividend Received	0	0	164,971	175,000
Rent	27,829	40,282	82,671	95,124
Contracting Revenue	970,385	705,338	0	0
Other	253,254	71,522	297,966	113,312
	16,382,533	**16,061,602**	**15,702,646**	**15,640,199**

3 OPERATING EXPENSES

Operating Expenses Comprise:				
Operating Costs	2,421,859	2,379,048	2,614,098	2,721,755
Directors' Fees	160,859	160,000	160,859	160,000
Assets Scrapped	277,118	219,975	277,954	206,372
Donations	72,400	68,895	72,200	68,895
Audit Fees	47,329	38,040	35,779	28,118
Other Regulatory Audits - PWC	10,765	10,765	10,765	10,765
Other Regulatory Audits – Other	12,555	15,618	12,555	14,582
Rent	13,664	5,839	2,450	1,939
Bad Debts Written Off	13,129	1,152	13,129	1,152
	3,029,678	**2,899,332**	**3,199,789**	**3,213,578**

4 DEPRECIATION, AMORTISATION AND IMPAIRMENT

Depreciation and Amortisation Comprises:				
Buildings	32,512	32,512	32,512	32,512
Contracting Equipment	270,569	174,406	0	0
Network Reticulation System	2,335,019	2,227,183	2,390,790	2,260,101
Meters and Relays	204,079	201,505	204,079	201,505
Plant and Equipment	88,277	80,710	85,899	78,320
Fibre Network	90,366	0	90,366	0
Intangibles	67,079	60,022	46,223	39,308
	3,087,901	**2,776,338**	**2,849,869**	**2,611,746**

	Group 2011 $	Group 2010 $	Parent 2011 $	Parent 2010 $
5 TAXATION				
Tax Expense for Period Made up of				
Income Tax Expense	444,465	302,379	361,877	212,341
Deferred Taxation Expense	607,257	79,313	630,374	100,163
	1,051,722	**382,343**	**992,251**	**312,504**
Operating Surplus Before Income Tax	2,408,199	2,970,670	2,348,784	2,963,248
Prima Facie Taxation @ 30 cents	722,460	891,201	704,635	888,974
Movement in Income Tax Due to:-				
Non Deferred Tax Differences				
Impact of Corporate Tax Rate Change	(635,672)	0	(643,438)	0
Impact of Removal of Depreciation on Buildings	1,425,432	0	1,425,432	0
Non Assessable Income	(462,269)	(505,333)	(495,028)	(553,333)
Non Deductible Expenses	1,771	(83,489)	650	(120,891)
Prior Period Adjustment	0	79,964	0	97,754
	329,262	(508,858)	287,616	(576,470)
Tax Expense	**1,051,722**	**382,343**	**992,251**	**312,504**
Deferred Tax Movements				
Impact of Corporate Tax Rate Change	635,672	0	643,438	0
Impact of Removal of Depreciation on Buildings	(1,425,432)	0	(1,425,432)	0
Depreciation	197,203	(78,673)	149,368	(92,607)
Other	(14,700)	(640)	2,252	(7,556)
	(607,257)	**(79,313)**	**(630,374)**	**(100,163)**
Income Tax Expense	**444,465**	**303,030**	**361,877**	**212,341**

During the year, as a result of the change in the NZ corporate tax rate from 30% to 28% that was enacted on 27th May 2010 and that will be effective from 1 April 2011, the relevant deferred tax balances have been re-measured. Deferred tax expected to reverse in the year to 31 March 2012 or later has been measured using the effective tax rate that will apply for the period of 28%.

Buildings are currently depreciated for tax purposes. As a result of the change in tax legislation that was enacted on 27th May 2010, with effect from financial year ended 31 March 2012, the tax depreciation rate on buildings with an estimated useful life of 50 years or more will be reduced to 0%. This reduction in the tax depreciation rate has significantly reduced the tax base of the company's properties as future tax deductions will no longer be available from the 2011/2012 income year.

Imputation Credit Account

	Group 2011 $	Group 2010 $	Parent 2011 $	Parent 2010 $
Opening Balance	5,457,171	5,676,907	5,412,717	5,672,446
Prior Period Adjustment	0	651	0	(2,409)
Income Tax Payments During the Year	273,992	395,285	243,992	283,352
Imputation Credit Received	0	0	0	75,000
Imputation Credit Allocated to Dividends in the Year	0	(615,672)	0	(615,672)
Closing Balance	**5,731,163**	**5,457,171**	**5,656,709**	**5,412,717**

5 TAXATION (CONTINUED)

	Depreciation	Other	Total
	$	$	$
GROUP DEFERRED TAX LIABILITY/(ASSET)			
Opening Balance as at 1 April 2009	9,762,488	(124,220)	9,638,268
Change in the Year	78,673	640	79,313
Closing Balance as at 31 March 2010	**9,841,161**	**(123,580)**	**9,717,581**
Opening Balance as at 1 April 2010	9,841,161	(123,580)	9,717,581
Change in the Year	585,298	21,959)	607,257
Closing Balance as at 31 March 2011	**10,426,459**	**(101,621)**	**10,324,838**
Group Current and Non-Current Deferred tax Liability/(Asset)			
2010			
Current Deferred Tax	(108,349)	6,524	(101,825)
Non-Current Deferred Tax	9,937,688	(118,282)	9,819,406
Total Deferred tax	**9,829,339**	**(111,758)**	**9,717,581**
2011			
Current Deferred Tax	0	(101,621)	(101,621)
Non-Current Deferred Tax	10,426,298	0	10,426,459
Total Deferred Tax	**10,426,298**	**(101,621)**	**10,324,838**
PARENT DEFERRED TAX LIABILITY/(ASSET)			
Opening Balance as at 1 April 2009	9,751,879	(48,850)	9,703,029
Change in the Year	92,607	7,556	100,163
Closing Balance as at 31 March 2010	**9,844,486**	**(41,294)**	**9,803,192**
Opening Balance as at 1 April 2010	9,844,486	(41,294)	9,803,192
Change in the Year	629,722	652	630,374
Closing Balance as at 31 March 2011	**10,474,208**	**(40,642)**	**10,433,566**
Current and Non-Current Deferred tax Liability/(Asset)			
2010			
Current Deferred Tax	(108,349)	6,524	(101,825)
Non-Current Deferred Tax	9,941,013	(35,996)	9,905,017
Total Deferred tax	**9,832,664**	**(29,472)**	**9,803,192**
2011			
Current Deferred Tax	0	(40,642)	(40,642)
Non-Current Deferred Tax	10,474,208	0	10,474,208
Total Deferred Tax	**10,474,208**	**(40,642)**	**10,433,566**

	Group 2011 $	Group 2010 $	Parent 2011 $	Parent 2010 $
6 TRADE AND OTHER RECEIVABLES				
The Balance Comprises:				
Trade Receivables	140,268	468,286	102,107	419,595
Trade Receivable from Subsidiaries	0	0	28,230	15,495
Total Receivables	140,268	468,286	130,337	435,090
Other Receivables	87,843	4,513	86,764	77,891
Prepayments	72,786	167,097	54,263	79,026
GST	437,185	235,918	437,185	235,918
Balance at End of Year	**738,082**	**875,814**	**708,549**	**827,925**

Trade and Other Receivables less than 90 days old	702,804	850,512	674,964	803,381
Trade and Other Receivables greater than 90 days old	35,278	25,302	33,585	24,543
	738,082	**875,814**	**708,549**	**827,924**

No Trade and Other Receivables were impaired in 2011 or 2010

7 INVESTMENTS

SUBSIDIARIES

Subsidiary Entity	Interest Held	Date Started Trading	Balance Date	Principal Activity
Network Waitaki Contracting Limited	100%	1 October 2008	31 March	Electricity Line Maintenance

Network Waitaki Investment in Network Waitaki Contracting Limited

	Shares at cost $	Loan $	Total Investment in subsidiary at cost $
Opening Balance as at 1 April 2009	1,000,000	573,074	1,573,074
Movement	0	0	0
Closing Balance as at 31 March 2010	**1,000,000**	**573,074**	**1,573,074**
Opening Balance as at 1 April 2010	1,000,000	573,074	1,573,074
Movement	0	0	0
Closing Balance as at 31 March 2011	**1,000,000**	**573,074**	**1,573,074**

8 PROPERTY, PLANT AND EQUIPMENT

GROUP	Freehold Land	Buildings	Network Reticulation System	Meters and Relays	Easements	Fibre Network	Contracting Equipment	Plant and Equipment	Totals
	$	$	$	$	$	$	$	$	$
Gross Carrying Amount									
At 1 April 2009	204,180	1,113,104	71,440,239	3,548,601	33,261	0	998,499	986,224	78,324,108
Additions	0	0	5,140,664	161,112	8,506	0	185,958	43,167	5,539,407
Disposals	0	0	(298,203)	(26,043)	0	0	(101,120)	(3,911)	(429,277)
At 31 March 2010	204,180	1,113,104	76,282,700	3,683,670	41,767	0	1,083,337	1,025,480	83,434,238
Additions	0	0	7,075,383	136,713	6,285	2,604,400	807,880	65,966	10,696,627
Disposals	0	0	(740,763)	(676,367)	(910)	0	(152,203)	(21,375)	(1,591,618)
At 31 March 2011	204,180	1,113,104	82,617,320	3,144,016	47,142	2,604,400	1,739,015	1,070,071	92,498,319
Accumulated Depreciation and Impairment									
At 1 April 2009	0	210,563	15,808,435	1,932,148	0	0	72,905	314,670	18,338,721
Charge for Year	0	32,512	2,227,183	201,505	0	0	174,406	80,710	2,716,316
Disposals	0	0	(106,497)	(12,437)	0	0	(77,428)	(3,911)	(200,273)
At 31 March 2010	0	243,075	17,929,121	2,121,216	0	0	169,883	391,469	20,854,764
Charge for Year	0	32,512	2,335,019	204,079	0	90,366	251,095	87,278	3,001,349
Disposals	0	0	(469,238)	(676,367)	0	0	(124,184)	(36,388)	(1,306,177)
At 31 March 2011	0	275,587	19,794,902	1,648,928	0	90,366	296,794	442,126	22,548,694
Net Book Values									
At 31 March 2010	204,180	870,029	58,353,579	1,562,454	41,767	0	913,454	634,011	62,579,474
Work in Progress	0	0	2,225,445	0	999	0	18,553	0	2,244,977
	204,180	**870,029**	**60,579,024**	**1,562,454**	**42,766**	**0**	**932,007**	**634,011**	**64,824,471**
At 31 March 2011	204,180	837,517	62,822,420	1,495,088	47,142	2,514,034	1,442,221	587,023	69,949,625
Work in Progress	0	0	125,941	0	27,368	0	0	0	153,309
	204,180	**837,517**	**62,948,361**	**1,495,088**	**74,510**	**2,514,034**	**1,442,221**	**587,023**	**70,102,934**

8 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

PARENT	Freehold Land	Buildings	Network Reticulation System	Meters and Relays	Fibre Network	Easements	Plant and Equipment	Totals
	$	$	$	$	$	$	$	$
Gross Carrying Amount								
At 1 April 2009	204,180	1,113,104	71,440,239	3,548,601	0	33,261	972,288	77,311,673
Additions	0	0	5,535,677	161,112	0	8,506	43,167	5,748,462
Disposals	0	0	(298,203)	(26,043)	0	0	(3,511)	(327,757)
At 31 March 2010	204,180	1,113,104	76,677,713	3,683,670	0	41,767	1,011,944	82,732,378
Additions	0	0	7,382,542	136,713	2,604,400	6,285	38,709	10,168,649
Disposals	0	0	(740,763)	(676,367)	0	(910)	(19,300)	(1,437,340)
At 31 March 2011	204,180	1,113,104	83,319,492	3,144,016	2,604,400	47,142	1,031,353	91,463,687
Accumulated Depreciation and Impairment								
At 1 April 2009	0	210,563	15,808,435	1,932,148	0	0	313,488	18,264,634
Charge for Year	0	32,512	2,260,101	201,505	0	0	78,320	2,572,438
Disposals	0	0	(106,497)	(12,437)	0	0	(3,511)	(122,445)
At 31 March 2010	0	243,075	17,962,039	2,121,216	0	0	388,297	20,714,627
Charge for Year	0	32,512	2,390,790	204,079	90,366	0	85,899	2,803,646
Disposals	0	0	(469,238)	(676,367)	0	0	(16,150)	(1,161,755)
At 31 March 2011	0	275,587	19,883,591	1,648,928	90,366	0	458,046	22,356,518
Net Book Values								
At 31 March 2010	204,180	870,029	58,715,674	1,562,454	0	41,767	623,647	62,017,751
Work in Progress	0	0	2,225,445	0	0	999	0	2,226,444
	204,180	**870,029**	**60,941,119**	**1,562,454**	**0**	**42,766**	**623,647**	**64,244,195**
At 31 March 2011	204,180	837,517	63,435,901	1,495,088	2,514,034	47,142	573,308	69,107,170
Work in Progress	0	0	125,941	0	0	27,368	0	153,309
	204,180	**837,517**	**63,561,842**	**1,495,088**	**2,514,034**	**74,510**	**573,308**	**69,260,479**

	Group 2011 $	Group 2010 $	Parent 2011 $	Parent 2010 $
9 INTANGIBLE ASSETS				
Purchased Software				
Gross Carrying Amount				
Opening Balance	305,148	281,477	247,611	223,940
Additions	28,458	23,671	26,031	23,671
Disposals	(54,531)	0	(54,531)	0
Closing Balance	279,075	305,148	219,111	247,611
Accumulated Amortisation and Impairment				
Opening Balance	219,332	159,310	188,504	149,196
Charge for Year	67,079	60,022	46,223	39,308
Disposals	(54,531)	0	(54,531)	0
Closing Balance	231,880	219,332	180,196	188,504
Net Book Value	**47,195**	**85,816**	**38,915**	**59,107**
Work in Progress	412,293	186,650	412,293	186,650
Carrying Amount	**459,488**	**272,466**	**451,208**	**245,757**

10 INVENTORIES

CURRENT ASSET INVENTORIES

	Group 2011 $	Group 2010 $	Parent 2011 $	Parent 2010 $
Contracting Inventory				
Opening Balance	358,462	291,126	0	0
Purchases in the Year	1,267,353	1,593,548	0	0
Inventory sold	(1,240,539)	(1,526,212)	0	0
Closing Inventory	385,276	358,462	0	0

NON-CURRENT ASSET INVENTORIES

	Group 2011 $	Group 2010 $	Parent 2011 $	Parent 2010 $
Network Inventory				
Opening Balance	547,722	608,732	547,722	608,732
Purchases in the Year	725,377	485,088	725,377	485,088
Used on the Reticulation System	(798,643)	(546,098)	(798,643)	(546,098)
Closing Inventory	474,456	547,722	474,456	547,722
Metering Inventory				
Opening Balance	11,743	17,647	11,743	17,647
Purchases in the Year	23,666	186,847	23,666	186,847
Transferred to Meters and Relays	(23,683)	(192,751)	(23,683)	(192,751)
Closing Inventory	11,726	11,743	11,726	11,743
Total Non-Current Inventory	**486,182**	**559,465**	**486,182**	**559,465**

During the periods no non-current inventory was sold to external parties. No inventory has been written down, or had a write-down reversal. No inventory is pledged as security for liabilities.

	Group 2011 $	Group 2010 $	Parent 2011 $	Parent 2010 $
11 TRADE AND OTHER PAYABLES				
The Balance Comprises:				
Trade Payables	2,197,541	1,153,499	1,960,175	757,081
Trade Payable to Subsidiaries	0	0	663,490	367,474
Total Payables	2,197,541	1,153,499	2,623,665	1,124,555
Accruals	514,072	758,618	411,747	745,975
G.S.T. Payable	123,852	40,047	0	0
Balance at End of Year	**2,835,465**	**1,952,164**	**3,035,412**	**1,870,530**

All trade and other payables have a maturity within one year.

Note 19 provides analyses of the non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity groups based on the remaining period from the date of the Statement of Financial Position to the contractual maturity date.

12 EMPLOYEE ENTITLEMENTS

	Group 2011 $	Group 2010 $	Parent 2011 $	Parent 2010 $
Leave Entitlements	339,811	315,408	133,825	133,617
Other Entitlements	80,509	72,495	0	0
Total	**420,320**	**387,903**	**133,825**	**133,617**

13 SHARE CAPITAL

	Group 2011 $	Group 2010 $	Parent 2011 $	Parent 2010 $
Fully Paid-up Ordinary Shares	14,000,000	14,000,000	14,000,000	14,000,000
Non-issued Shares and Shares Held by the Company	0	0	0	0
Total Number of Ordinary Shares Authorised	**14,000,000**	**14,000,000**	**14,000,000**	**14,000,000**

The Company has one class of shares, which is “ordinary shares”. Each ordinary share has a value of $1.00 and ranks equally for voting and distribution rights. All shares are held by Waitaki Power Trust.
A share premium of $571,119 was paid with the acquisition of shares.
As at the date of authorisation for issue of these financial statements, no dividends have been proposed or declared that are not recognised as a distribution in the 2011 year (2010 nil).

	Group 2011 $	Group 2010 $	Parent 2011 $	Parent 2010 $
14 RETAINED EARNINGS				
Balance at Beginning of Year	48,613,669	47,275,342	48,409,142	47,008,398
Net Surplus for Year	1,356,477	2,588,327	1,356,533	2,650,744
Dividend Paid	0	(1,250,000)	0	(1,250,000)
Balance at End of Year	**49,970,146**	**48,613,669**	**49,765,675**	**48,409,142**
15 RECONCILIATION OF NET PROFIT WITH CASHFLOW FROM OPERATING ACTIVITIES				
Net Profit for the Year	1,356,477	2,588,327	1,356,533	2,650,744
Add/(Less) Non-Cash Items:				
Depreciation and Amortisation	3,087,901	2,776,338	2,849,869	2,611,746
Assets Scrapped	277,118	219,976	277,954	206,372
Share of Associate Profit	0	0	0	0
Dividend from Network Waitaki Contracting	0	0	(164,971)	(175,000)
Deferred Taxation	(607,257)	79,313	(630,374)	100,163
	3,972,276	3,075,627	3,593,226	2,743,281
	5,328,753	5,663,954	4,949,759	5,394,025
Add/(less) Movements in Working Capital Items:				
(Increase) / Decrease in Trade and Other Receivables	137,732	(175,139)	119,375	(136,399)
(Increase) / Decrease in Inventories	(26,814)	(67,336)	0	0
(Increase) / Decrease in Work in Progress	208,941	(142,478)	0	0
(Increase) / Decrease in Tax Refund Due	113,980	(113,980)	92,735	0
Increase / (Decrease) in Tax Payable	54,559	(83,932)	25,152	(101,013)
Increase / (Decrease) in Trade and Other Payables	883,301	125,502	1,164,882	(48,369)
Increase / (Decrease) in Employee Entitlements	32,417	36,629	208	10,187
	1,404,116	(420,734)	1,402,353	(275,594)
Net Cash Flows From Operating Activities:	**6,732,869**	**5,243,220**	**6,352,112**	**5,118,432**
16 LOAN FROM WAITAKI POWER TRUST				
Opening Balance at 1 April 2010	1,150,000	0	1,150,000	0
Amount Drawn Down on 31 March 2010	0	1,150,000	0	1,150,000
Closing Balance	1,150,000	1,150,000	1,150,000	1,150,000

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

17 CAPITAL COMMITMENTS

GROUP

The Group has capital commitments amounting to $19,233 as at 31 March 2011 (2010 $999,768).

PARENT

Network Waitaki Limited has capital commitments amounting to $19,233 as at 31 March 2011 (2010 $287,715).

18 RELATED PARTY TRANSACTIONS

	2011 $	2010 $

Payments from Network Waitaki Contracting Limited to Network Waitaki Limited

Network Waitaki Contracting Limited is 100% owned by Network Waitaki Limited. The Company provides electricity line construction and maintenance services to Network Waitaki Limited out of premises owned by Network Waitaki Limited.

	2011 $	2010 $
Dividend	164,971	175,000
Rent and Associated Costs	59,450	58,542
Share of Directors' Fees	44,712	41,790
Interest on Loan	35,529	37,906
Payments outstanding at balance date		
Trade Payables	28,231	15,495
Loan	573,074	573,074
Shares	1,000,000	1,000,000

Payments from Network Waitaki Limited to Network Waitaki Contracting Limited

Network Waitaki Contracting Limited was established in the 2009 year and funded from the sale of shares and a loan from Network Waitaki Limited.

All contracting services between Network Waitaki Contracting Limited and Network Waitaki Limited are at commercial rates.

	2011 $	2010 $
Contracting Services	4,595,183	4,598,588
Payments outstanding at balance date		
Trade Payables	663,490	367,474

Payments from Network Waitaki Limited to Waitaki Power Trust

	2011 $	2010 $
Dividend	0	1,250,000
Interest	70,754	0
Outstanding Balance at Balance Date	0	0

Payments from Waitaki Power Trust to Network Waitaki Limited

	2011 $	2010 $
Loan	0	1,150,000
Loan Outstanding at Balance Date	1,150,000	1,150,000

Payments from Network Waitaki Group to key management personnel

Payments to key management personnel are made in accordance with employment agreements.

	2011 $	2010 $
Salaries	723,024	676,129
Outstanding Balance at Balance Date	0	0

19 ANALYSES OF FINANCIAL LIABILITIES

GROUP

At 31 March 2010

	Less than 1 Year	Between 1 and 2 Years	Between 2 and 5 Years	Over 5 Years
Loan	$69,000	$69,000	$207,000	$1,150,000
Trade and Other Payables	$1,952,164	$0	$0	$0

At 31 March 2011

	Less than 1 Year	Between 1 and 2 Years	Between 2 and 5 Years	Over 5 Years
Loan	$70,754	$70,754	$212,262	$1,150,000
Trade and Other Payables	$2,835,465	$0	$0	$0

The loan is interest only, with no maturity date. The current interest rate is 6.24%. The over 5 year amounts allow for payments up to 10 years.

PARENT

At 31 March 2010

	Less than 1 Year	Between 1 and 2 Years	Between 2 and 5 Years	Over 5 Years
Loan	$69,000	$69,000	$207,000	$1,150,000
Trade and Other Payables	$1,870,530	$0	$0	$0

At 31 March 2011

	Less than 1 Year	Between 1 and 2 Years	Between 2 and 5 Years	Over 5 Years
Loan	$70,754	$70,754	$212,262	$1,150,000
Trade and Other Payables	$3,035,412	$0	$0	$0

The loan is interest only, with no maturity date. The current interest rate is 6.24%. The over 5 years amounts allow for payments up to 10 years.

20 OPERATING LEASES

	Group 2011 $	Group 2010 $	Parent 2011 $	Parent 2010 $
LESSORS - OPERATING LEASES				
No later than one year	384,465	21,519	384,465	21,519
Later than one year and no later than five years	1,473,573	73,523	1,473,573	73,523
	1,858,038	95,042	1,858,038	95,042

LESSEES - OPERATING LEASES

The future minimum lease payments under non-cancellable operating leases are as follows:

	Group 2011 $	Group 2010 $	Parent 2011 $	Parent 2010 $
No later than one year	432,277	429,728	432,277	429,728
Later than one year and no later than five years	1,589,628	1,718,913	1,589,628	1,718,913
	2,021,905	2,148,641	2,021,905	2,148,641

21 CONTINGENT LIABILITIES

GROUP
The Group has no contingent liabilities as at 31 March 2011 (2010 nil).

PARENT
The Parent has no contingent liabilities as at 31 March 2011 (2010 nil).

22 SUBSEQUENT EVENTS

There have been no events (2010 nil) subsequent to balance date that have significantly affected or may significantly affect the operations or state of affairs of the Group or Parent.

PERFORMANCE TARGETS

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

A GROUP FINANCIAL PERFORMANCE MEASURES

GROUP STATEMENT OF COMPREHENSIVE INCOME FOR YEAR ENDED 31 MARCH 2011			
	ACTUAL	SCI	VARIANCE
Statement of Comprehensive Income	**$**	**$**	**$**
Operating Revenue	14,282,702	13,952,600	330,102
Operating Expenses	(6,083,438)	(5,536,271)	(547,167)
Operating Profit	**8,199,264**	**8,416,329**	**(217,065)**
Less Other Expenses	(5,523,875)	(5,660,564)	136,689
Net Profit from Operational Activities	2,675,389	2,755,765	(80,376)
Other Income	253,254	3,072	250,182
Operating Profit after Other Income	**2,928,643**	**2,758,837**	**167,806**
Less Discount	(2,367,021)	(1,897,280)	(469,741)
Operating Profit after Discount	**561,622**	**861,557**	**(299,935)**
Interest Income	361,456	368,196	(6,740)
Operating Profit after Interest Income & before Tax	923,078	1,229,753	(306,675)
Taxation	(1,051,722)	(572,664)	(479,058)
Net Profit after Taxation and before Capital Contributions	**(128,644)**	**657,089**	**(785,733)**
Capital Contributions	1,485,121	1,284,804	200,317
Net Profit after Capital Contributions	**1,356,477**	**1,941,893**	**(585,416)**
Dividend	0	0	0
Retained Surplus for the Period	**1,356,477**	**1,941,893**	**(585,416)**

Comment
The lower Net Profit after taxation and before Capital Contributions represents changes in tax legislation, and a higher discount paid to consumers.

PERFORMANCE TARGETS (CONTINUED)

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

A GROUP FINANCIAL PERFORMANCE MEASURES

GROUP BALANCE SHEET AS AT 31 MARCH 2011			
	ACTUAL	SCI	VARIANCE
Shareholders' Equity	64,541,265	63,603,342	937,923
Current Assets	8,379,464	8,917,282	(537,818)
Current Liabilities	3,310,344	2,615,705	(694,639)
Working Capital	5,069,120	6,301,577	(1,232,457)
Non-Current Assets	71,048,604	68,096,245	2,952,359
Non-Current Liabilities	11,576,459	10,794,480	(781,979)
	59,472,145	57,301,765	2,170,380
Net Assets	64,541,265	63,603,342	937,923

Comment

The non-current assets balance is higher and the current assets balance is lower than allowed for in the SCI, representing changes to the Network Waitaki capital programme for the year and the associated decrease in cash and cash equivalents required to fund the programme.

B PARENT FINANCIAL PERFORMANCE MEASURES

PARENT INCOME STATEMENT FOR YEAR ENDED 31 MARCH 2011			
	ACTUAL	SCI	VARIANCE
Statement of Comprehensive Income	**$**	**$**	**$**
Operating Revenue	13,367,159	13,852,600	(485,441)
Operating Expenses	(6,278,654)	(5,463,262)	(815,392)
Operating Profit	**7,088,505**	**8,389,338**	**(1,300,833)**
Gross Profit Percentage	53%	61%	(8%)
Less Other Expenses	(4,708,186)	(5,791,580)	1,083,394
Net Profit from Operational Activities	**2,380,319**	**2,597,758**	**(217,439)**
Other Income	297,966	168,043	129,923
Operating Profit after Other Income	**2,678,285**	**2,765,801**	**(87,516)**
Less Discount	(2,367,021)	(1,897,280)	(469,741)
Operating Profit after Discount	**311,264**	**868,521**	**(557,257)**
Interest Income	387,429	379,314	8,115
Operating Profit after Interest Income & before Tax	698,693	1,247,835	(549,142)
Taxation	(992,251)	(522,342)	(469,909)
Net Profit after Taxation and before Capital Contributions	**(293,558)**	**725,493**	**(1,019,051)**

Capital Contributions	1,485,121	1,284,804	200,317
Net Profit after capital contributions	**1,191,562**	**2,010,297**	**(818,735)**
Dividend	0	0	0
Dividend from Network Waitaki Contracting Limited	164,971	0	164,971
Retained Surplus for the Period	**1,356,533**	**2,010,297**	**(653,764)**

PERFORMANCE TARGETS (CONTINUED)

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

A GROUP FINANCIAL PERFORMANCE MEASURES (CONTINUED)

KEY FINANCIAL REPORTING MEASURES	ACTUAL	SCI	VARIANCE
NPBT to Shareholder' Funds	3.73%	1.73%	2.00
Net Assets per Share	$4.61	$4.66	($0.05)
NPBT Earnings per Share in cents	6.59 Cents	8.00 Cents	9.20 Cents
Ratio of Shareholders' Funds to Total Assets	81.26%	82.90%	(1.64)
Direct Line Cost Per Circuit Kilometre of Line	$1,167.90	$1,262.70	($94.80)
Indirect Line Cost Per Electricity Consumer	$64.29	$85.36	($21.07)

Comment

The lower than planned net assets per share and ratio of shareholders' funds to total assets are the result of the higher than planned dividend being paid.

The direct line cost per circuit kilometre of line and the indirect line cost per electricity consumer are lower than the SCI due to lower than anticipated maintenance being completed.

B GROUP NON-FINANCIAL PEFORMANCE MEASURES

	ACTUAL	SCI	VARIANCE
Average Interruption Duration (SAIDI)	61.46	90.00	29.09
Average Interruption Frequency (SAIFI)	0.82	1.70	0.89
Customer Average Interruption Duration (CAIDI)	75.08	53.00	21.80

Comment

The lower level of SAIDI is the result of the greater use of live-line techniques to lessen planned outages.

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 Network Waitaki website includes:
Network Disclosures
Pricing Methodology
Tariff
Use of System Agreement
Price Path Threshold
Tree Management
Network Assets Management Plan
Working Around Overhead Lines
Statement of Corporate Intent
Ownership Review

Other websites of interest include:
www.comcom.govt.nz (Commerce Commission)
www.egcomplaints.co.nz (Electricity & Gas Complaints Commission)
www.ea.govt.nz (Electricity Authority)
www.med.govt.nz (Ministry of Economic Development)
www.transpower.co.nz (Transpower)
www.contactenergy.co.nz (Contact Energy)
www.genesisenergy.co.nz (Genesis Energy)
www.meridianenergy.co.nz (Meridian Energy)
www.mightyriverpower.co.nz (Mighty River Power)
www.trustpower.co.nz (TrustPower)
www.eeca.co.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.

Audit Report

To the Readers of
Network Waitaki Limited's Financial Statements
for the year ended 31 March 2011

The Auditor-General is the auditor of Network Waitaki Limited (the Company and Group). The Auditor-General has appointed me, Robert Harris, using the staff and resources of PricewaterhouseCoopers, to carry out the audit of the financial statements of the Company and Group, for the year ended 31 March 2011.

We have audited the financial statements of the Company and Group on pages 12 to 35, that comprise the statement of financial position as at 31 March 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date; and a summary of significant accounting policies and other explanatory information.

Unqualified Opinion

In our opinion:

- The financial statements of the Company and Group on pages 12 to 35:
  - comply with generally accepted accounting practice in New Zealand;
  - comply with International Financial Reporting Standards; and
  - give a true and fair view of:
    - the Company's and Group's financial position as at 31 March 2011; and
    - the results of their operations and cash flows for the year ended on that date.

Opinion on other legal requirements

In accordance with the Financial Reporting Act 1993 we report that, in our opinion, proper accounting records have been kept by the Company and Group as far as appears from an examination of those records.

The audit was completed on 30 May 2011, and is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and the Auditor, and explain our independence.

Basis of Opinion

We carried out the audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

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An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments we consider internal control relevant to the entity's preparation of the financial statements that give a true and fair view of the matters to which they relate. We consider internal control 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 entity's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Board of Directors;
- the adequacy of all disclosures in the financial statements; and
- the overall presentation of the financial statements.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements. In accordance with the Financial Reporting Act 1993 we report that we have obtained all the information and explanations we have required. We believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of the Board of Directors and the Auditor

The Board of Directors is responsible for preparing financial statements that:

- comply with generally accepted accounting practice in New Zealand;
- give a true and fair view of the Company and Group's financial position, financial performance and cash flows.

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

The Board of Directors responsibilities arise from the Financial Reporting Act 1993 and the Energy Companies Act 1992.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001and section 45(1) of the Energy Companies Act 1992.

Independence

When carrying out the audit we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the Institute of Chartered Accountants of New Zealand.

In addition to the audit, we have carried out assignments in the areas of the Electricity Distribution (Information Disclosure) Requirements 2008 and the Commerce Act (Electricity Distribution Thresholds) Notice 2004 and tax advice, which are compatible with those independence requirements. Other than the audit and these assignments, we have no relationship with, or interests in, the Company or any of its subsidiaries.

Robert Harris
PricewaterhouseCoopers
On behalf of the Auditor-General
Christchurch, New Zealand

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