



## ANNUAL REPORT

for the year ended 31 March 2012

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## **DIRECTORY**

### **DIRECTORS:**

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

### **SOLICITORS:**

Berry & Co, Eden Street,  
Oamaru

### **REGISTERED OFFICE:**

10 Chelmer Street, Oamaru

### **CHIEF EXECUTIVE:**

Mr G.B. Clark

### **WAITAKI POWER TRUST TRUSTEES :**

Dr H.F. Brookes (Chairman)  
Mr A.J. Brady  
Mr W.P. McKerrow  
Mr D.E. Norman  
Mr H.J. Tonkin

### **AUDITORS:**

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

### **PRINCIPAL BANKERS:**

National Bank, The Octagon, Dunedin



Graham Clark

**INTRODUCTION**

It is pleasing that Network Waitaki is able to report a positive review in a year influenced by concerns with the international economy and the Company revenues being impacted by the local climatic conditions.



Clare Kearney

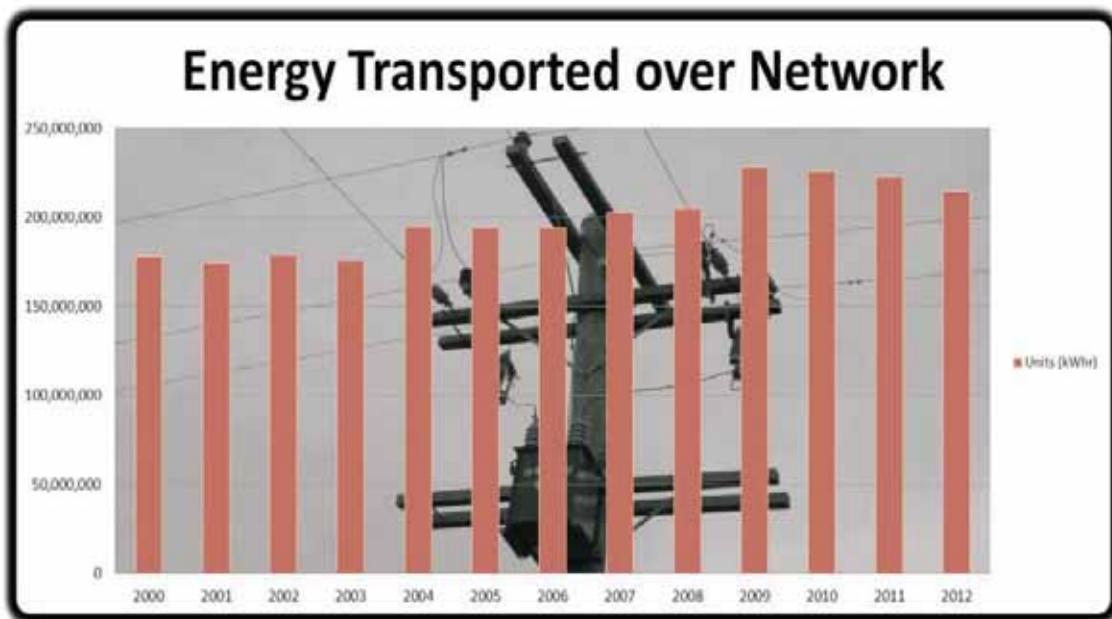
The results of the year reflect the concerted efforts of the Company’s staff on a number of fronts that have contributed to the year end result.

The Company remains committed to meeting its consumers’ needs by:

- Providing a reliable electricity network, and
- Returning the benefits of being consumer owned to consumers through competitively priced charges and discounts.

**Overview**

The volume of energy distributed over the Network Waitaki network was 214.8 GWH, a decrease of 7.7 GWH over the previous year and 96% of the five year average.



The maintenance programme was 98% completed with 78% of the capital budget of \$4,489,784 completed. The variance is due to rescheduling of projects and delays in delivery of imported equipment.





Dave Nicholson, Mat Duff, Nic van de Vlierd, Derek McGee and Cliff Creighton

## Health and Safety – Keeping our Community Safe

There are many hazards associated with electricity both for employees and the public. Network Waitaki has a strong focus on safety for its workers and has been a party to the Electricity Supply Industry Safety Climate Pilot Project.

Network Waitaki promotes safety around electrical equipment and it is pleasing to report that the Group experienced no Lost Time Incidents during the year.

## Transmission – Helping with Economic Growth

The Lower Waitaki Valley and hinterland has experienced dramatic changes over recent years through the development of large irrigation schemes and farm conversions to dairying. These developments have placed increased demands on Transpower's Transmission system to the point where at times of peak demand transmission supply is likely to become constrained.

Network Waitaki has been working with Transpower for a number of years to identify a solution that is affordable for Network Waitaki's customers and meets the expected growth for the foreseeable future. The announcement by Holcim that it would defer its decision on the development of a cement works at Weston has resulted in the preferred transmission solution for the Lower Waitaki Valley being put on hold.

Identifying a long term transmission solution for the area remains a focus for the ensuing year.

**Network Performance**

The ownership and operation of the electricity network is the main focus of what we do. This focus drives our many operating, maintenance and capital investment decisions while not compromising safety. The success of these decisions is measured by an industry measurement known as SAIDI. SAIDI measures the average minutes of lost supply experienced per consumer during the year. For the fourth consecutive year the SAIDI has declined and been less than the industry bench mark.

SAIDI	2007 – 2008	2008 – 2009	2009 - 2010	2010 – 2011	2011 – 2012
Planned	24.14	10.76	14.68	11.38	13.50
Unplanned	70.58	58.59	49.55	50.58	37.27
Total	94.64	69.35	64.23	61.46	50.77
National Median	139.90	200.90	153.80	195.40	N/A

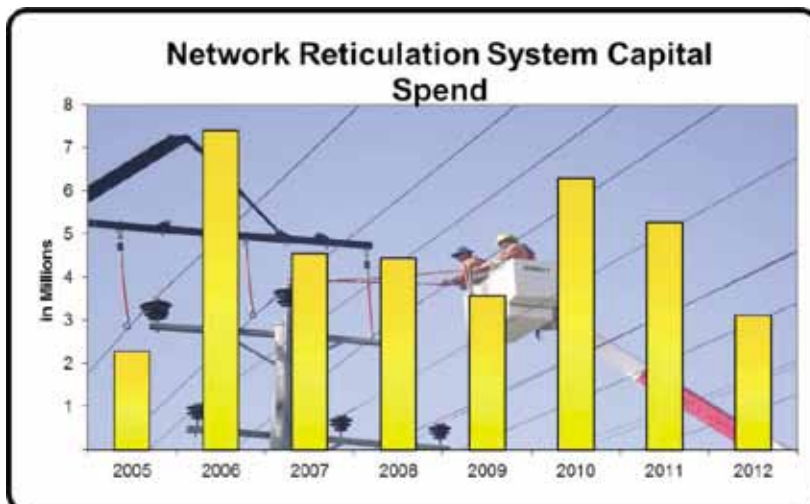
**Capital Projects**

Network Waitaki has undertaken a number of capital projects to meet expected load growth, replace aging assets, improve network security and connect new customers. The network capital expenditure for the year was \$3,506,400 or 1.6 times the network depreciation. Larger capital projects have included:



Ken Tierney, Craig Conlan, Andrew Paisley and Brad Fleming

- Stage one of a new 5/7MVA zone Substation at Hampden,
- Stage one rebuild of 11kV Herbert feeder,
- Installation of 6 MVAR of capacitors,
- New 11kV feeder supplying the Oamaru CBD,
- Rebuild part of the 11kV Ohau Feeder
- Extend 11kV line Teschemakers Road.



## **Contracting**

Network Waitaki Contracting provides Network Waitaki with the resources for the construction and maintenance of its electrical assets. Network Waitaki Contracting also provides services to consumers for the installation and maintenance of service lines. The skills and resources of Network Waitaki Contracting staff have been in demand supporting other networks and contractors in the South Island.

## **Business Opportunities**

### *Fibre Optic Network*

Last year Network Waitaki reported its involvement with the New Regional Fibre Group as it worked to evaluate the business opportunities associated with the deployment of fibre optic network as part of the Government's Ultra-Fast Broad Band Initiative. With the awarding of the Government Contract to Chorus within the area of interest to Network Waitaki, this investigation has come to an end. Network Waitaki will continue to investigate opportunities to maximise the use of this asset.

### *Smart Metering*

Network Waitaki is a member of SmartCo, a group of 14 lines companies, who are working with electricity retailers to identify opportunities for the deployment of Smart Metering. Smart Metering will allow electricity retailers to provide more timely and accurate electricity accounts, remove the need for estimated accounts, while allowing consumers to better manage their electricity usage. These meters will remove the need for meter readers to visit homes and businesses.

## **Distributed Generation**

Network Waitaki works with its consumers in the installation and connection to the network of small scale generation schemes. This year has seen the connection of the first small scale hydro generation plant to the network.

## **Regulatory**

Network Waitaki is subject to regulation by the Commerce Commission and Electricity Authority. In the coming year the Commerce Commission is developing a new set of information disclosure requirements for lines companies to enable a better assessment of financial and operational performance. Network Waitaki has lobbied the Commerce Commission for more streamlined and relevant information disclosure requirements which it is hoped will result in a simpler and easier to understand Information Disclosure Report and Asset Management Plan.

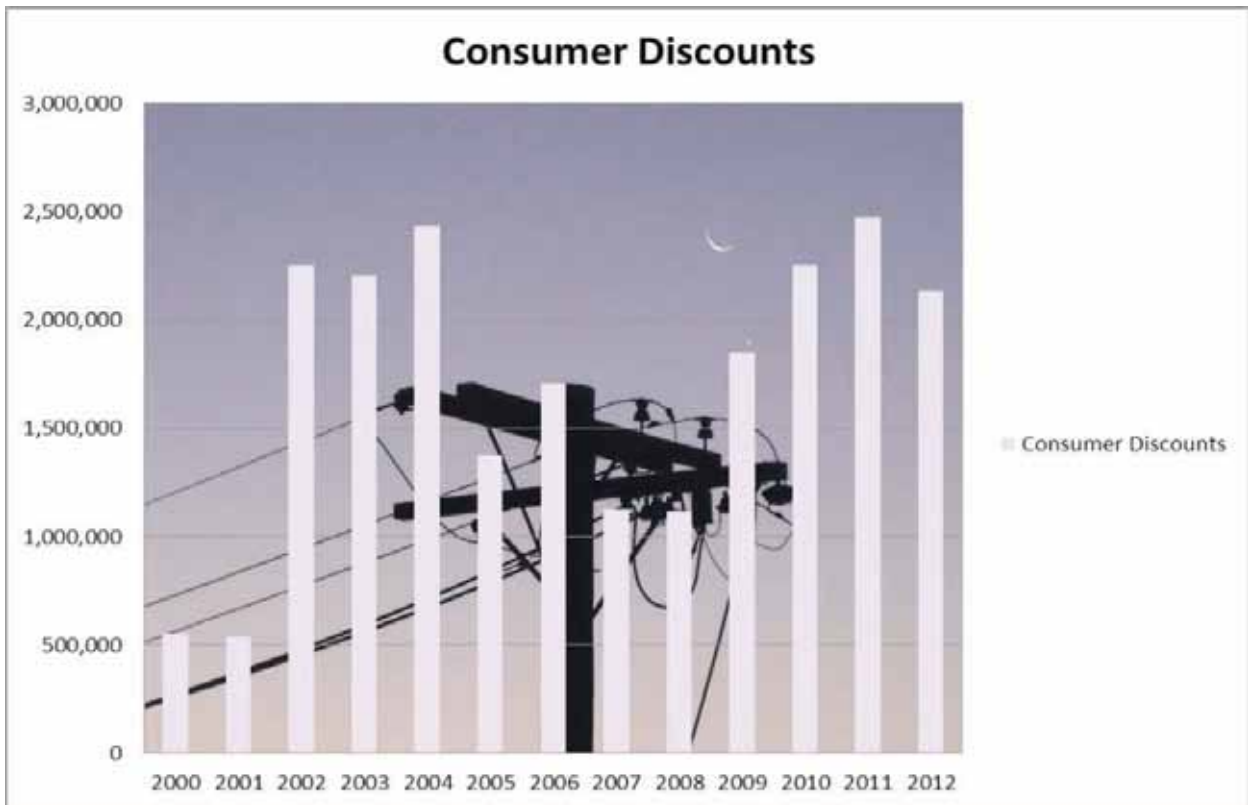
The Electricity Authority is working on an assessment framework for the pricing methodologies of lines companies. Network Waitaki has asked the Authority for more certain and less ambiguous guidelines that will allow it to continue to provide prices that are responsive to the changing needs of its consumers.

Once these changes are concluded Network Waitaki expects a more stable regulatory environment that will give it certainty when making decisions for the long-term benefit of its consumers.

### Supporting our Community

#### *Discount*

Consumers of Network Waitaki benefit from their ownership of the company through the Waitaki Power Trust by lower lines charges and the returning of surplus revenues by way of a discount. For the current year the discount was \$1,900,000 excluding GST. The accompanying chart shows the funds returned to consumers since 2000.





**Sponsorship**

The Company gave grants this year amounting to \$78,659. Significant grants included:

North Otago Recreational Turf Trust	9,500	Casa Nova Kindergarten	1,500
North Otago Rugby Union	9,000	North Otago Art Society Inc.	1,500
Victorian Town at Work	6,500	Oamaru Squash & Badminton Club Inc	1,500
North Otago Sports Bodies Assn.	4,000	Summer Camp	1,300
Omarama Volunteer Fire Brigade	4,000	Waitaki Road Safe Inc.	1,300
Waiareka Youth & Ministry Trust	4,000	Diabetes NZ North Otago Inc	1,000
Alzheimers Society Otago Inc.	3,500	Dunroon & District Development Assoc Inc	1,000
Sport Otago	2,500	Lower Waitaki Playcentre	1,000
Living History NZ	2,000	Nicol's Blacksmith Historic Trust	1,000
North Otago Basketball Association	2,000	North Otago SPCA	1,000
Special Olympics North Otago	2,000	North Otago Toy Library	1,000
St Joseph's School	2,000	Oamaru Farmers' Market	1,000
Waitaki Boys' High School	2,000	St Kevin's Hockey	1,000
Waitaki Girls' High School	2,000	St Kevin's Rugby	1,000
26 Squadron Air Training Corp	1,500		



South Island Basketball Tournament – funded through sponsorship from Network Waitaki

**Staff and Board**

Network Waitaki is fortunate to have Board Members and Staff who together form a competent and dedicated team focused on ensuring that Network Waitaki meets the long term needs of the electricity consumers in the area it serves while maintaining a viable company.

Directors meet regularly with the Waitaki Power Trust to report on the activities of the Company and its compliance with the Statement of Corporate Intent.

Clare Kearney  
Chairman

Graham Clark  
Chief Executive



## SENIOR MANAGEMENT

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### Graham Clark



#### CEO BBS (Accounting), ANZIM

Graham manages the day to day operation of the Group having had a long association with Network Waitaki.

### Glynne Lloyd



#### Network Manager, BE (Electrical), DipBusAdmin

Glynne heads the network engineering team which is responsible for the design and management of the distribution system.

### Doreen Cleave



#### Finance Manager, BCom (Accounting), GradDipCom (Accounting)

Doreen is a Chartered Accountant and is responsible for providing financial services to the Company.

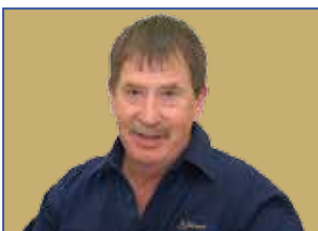
### Jan de Bruin



#### Commercial Manager, MA (Economics)

Jan is responsible for providing commercial and regulatory services to the Company.

### 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.



John Walker, Lindsay Malcolm, David Ruddenklau, Clare Kearney, David Sinclair and Derek Atkinson

## **DIRECTORS' INTERESTS**

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

### **Clare Kearney (Chairman)**

Clare has been a member of the board since 2005 and Chairman from July 2008. Currently she is a Trustee of Waitaki Community Gardens, a Trustee of KP & CM Kearney Family Trust, Shareholder of Veterinary Centre Ltd, and Chairman of Network Waitaki Contracting Limited.

### **Lindsay Malcolm**

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

### **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. He 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. He is a Director of Network Waitaki Contracting Limited, a Director and Shareholder of Willsher Investments Limited and Director and Shareholder of Intersouthern Holdings Limited and subsidiaries.

### **David Ruddenklau**

David joined the board in July 2011. David is a Director and Shareholder of Newhaven Farms Limited, Livingstone Creek Farm Limited, Pukeraro Trust, and Carhill Limited: a Trustee for Springhill Forestry Limited and Otago/Southland Child Cancer Foundation: Chairman of Five Forks School Centennial Committee and National Chairman of NZ Perendale Society Progeny Trials: Director of Network Waitaki Contracting Limited



## 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 \$16,321,759 (2011 \$16,382,533) for the year. Operating Profit before Taxation is \$1,859,652 (2011 \$2,408,199).

#### PARENT

The Operating Revenue (before customer discount) was \$14,992,206 for the year, (2011 \$15,702,646). Operating Profit before Taxation is \$1,852,776 (2011 \$2,348,784).

### SHARE CAPITAL

Total issued and paid up capital as at 31 March 2012 was 14,000,000 Ordinary Fully-Paid Shares. There has been no movement in Share Capital during the year.

### USE OF COMPANY INFORMATION

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

### DIVIDENDS

2011-2012

No dividend was declared for the 2011-2012 year.

2009-2011

Date Declared	Solvency Certificate Prepared	After Tax Amount
27 April 2009	Yes	\$100,000
22 March 2010	Yes	\$1,250,000
2011		0
2012		0
		\$1,350,000

### DISCOUNT

A discount (excluding GST) of \$1,873,245 has been paid to Customers (2011 \$2,367,021).

### DONATIONS

Network Waitaki Limited made donations totalling \$78,659 in the year (2011 \$72,200).

The Group made donations totalling \$78,707 in the year (2011 \$72,400).

### 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 six 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.

### REMUNERATION OF DIRECTORS

Shareholders authorised total Directors' remuneration of \$174,000 for activities undertaken by Directors on behalf of the company.

	Total Directors' fees paid
	\$
Mr D. Atkinson	26,500
Mrs C.M. Kearney	41,500
Mr L.M. Malcolm	26,500
Mr D.A. Ruddenklau	19,000
Mr D.N. Sinclair	26,500
Mr J.D. Walker	26,500
<b>Total Directors' fees</b>	<b>166,500</b>

### EMPLOYEE REMUNERATION

The Companies Act 1993 requires the number of employees receiving remuneration greater than \$100,000 to be disclosed. Two employees within the Network Waitaki Group 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 \$130,000 to \$140,000 and one employee received remuneration in the range of \$190,000 to \$200,000.

### 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.

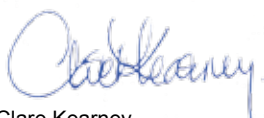
The Directors' and Officers' liability insurance provides cover against all costs and expenses involved in defending legal actions and any resulting payments arising from a liability to persons (other than Network Waitaki Limited or a related body corporate) incurred in their position as Director or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

### EVENTS SUBSEQUENT TO BALANCE DATE

The Directors are not aware of any 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 are responsible for the audit of Network Waitaki Limited. In accordance with Section 29 of the Public Finance Act 1977, the Controller and Auditor-General have contracted the audit of Network Waitaki Limited to Robert Harris using the staff and resources of PricewaterhouseCoopers. The auditor's fee for 2011/12 was \$34,777 for Network Waitaki Limited. The Group's audit fee for 2011/12 was \$48,427.



Clare Kearney  
Chairman



John Walker  
Director



# GROUP TREND STATEMENT

	2012 \$'000	2011 \$'000	2010 \$'000	2009 \$'000	2008 \$'000
<b>FINANCIAL PERFORMANCE</b>					
Operating Revenue	16,322	16,383	16,062	14,635	13,737
Operating Surplus before Tax and before Associated Earnings	1,860	2,408	2,970	3,197	3,147
Associate Company Earnings	0	0	0	(113)	0
Operating Profit before Tax	1,860	2,408	2,970	3,084	3,147
Taxation	(261)	(1,052)	(382)	(389)	556
Net Surplus	1,599	1,356	2,588	2,695	3,703
Shareholders' Distributions	0	0	1,250	100	100
Customer Discounts	1,873	2,367	2,164	2,006	1,755
<b>FINANCIAL POSITION</b>					
Current Assets	8,387	8,379	10,838	11,075	7,694
Non-Current Assets	71,150	71,049	65,656	62,194	62,871
Total Assets	79,537	79,428	76,494	73,269	70,565
Liabilities	13,397	14,887	13,309	11,423	11,313
Net Assets	66,140	64,541	63,185	61,846	59,252
Share Capital	14,571	14,571	14,571	14,571	14,571
Reserves	0	0	0	0	0
Retained Earnings	51,569	49,970	48,614	47,275	44,681
Equity	66,140	64,541	63,185	61,846	59,252
<b>FINANCIAL RATIOS</b>					
Accounting Return on Total Assets					
Before Discount	4.37%	4.69%	5.36%	5.59%	7.04%
After Discount	2.01%	1.71%	3.38%	3.68%	4.56%
Accounting Return on Equity					
Before Discount	5.25%	5.77%	6.49%	6.63%	8.38%
After Discount	2.42%	2.10%	4.10%	4.36%	5.42%
NPAT to Shareholders Funds	2.42%	2.10%	4.10%	4.36%	6.36%
Current Ratio	4.47	2.53	4.63	6.46	5.13
NPAT Earnings Per Share in Cents					
Before Discount	24.80	26.60	29.31	29.28	34.34
After Discount	11.42	9.69	18.49	19.25	26.94
Net Assets Per Share	\$4.74	\$4.61	\$4.51	\$4.42	\$4.24
<b>STATISTICS</b>					
SAIDI	50.77	61.46	64.23	69.35	94.67
SAIFI	0.95	0.82	1.46	1.08	2.10
CAIDI	53.27	75.08	43.98	64.50	44.99
Direct Line Cost per km of line	\$1,483	\$1,168	\$1,333	\$1,155	\$942
Indirect Line Cost per Consumer	\$81	\$64	\$69	\$68	\$63

**Notes:**

2008 represents the performance of the Parent; all other years represent the performance of the Group.  
Financial figures have been prepared in accordance with NZ IFRS.





## DIRECTORS' RESPONSIBILITY STATEMENT

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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 2012 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.

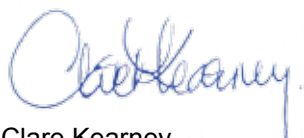
The Directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Network Waitaki Group and facilitate compliance of the financial statements with the Financial Reporting Act 1993.

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 2012.

The Board of Directors of Network Waitaki Limited authorises these Financial Statements for issue on 28 May 2012.

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 2012

	Notes	Group 2012 \$	2011 \$	Parent 2012 \$	2011 \$
Operating Revenue	2	16,321,759	16,382,533	14,922,206	15,702,646
Less					
Customer Discount		(1,873,245)	(2,367,021)	(1,873,245)	(2,367,021)
Operating Revenue after Customer Discount		14,448,514	14,015,512	13,048,961	13,335,625
Less					
Operating Expenses	3	(4,504,269)	(3,029,678)	(3,533,759)	(3,199,789)
Transmission Costs		(3,408,379)	(3,636,021)	(3,408,379)	(3,636,021)
Employee Costs		(1,782,604)	(1,853,713)	(1,530,256)	(1,301,162)
Depreciation, Amortisation and Impairment	4	(2,893,610)	(3,087,901)	(2,723,791)	(2,849,869)
Operating Profit Before Tax		1,859,652	2,408,199	1,852,776	2,348,784
Taxation	5	(260,847)	(1,051,722)	(324,734)	(992,251)
Net Profit for the Year		1,598,805	1,356,477	1,528,042	1,356,533
Total Comprehensive Income		1,598,805	1,356,477	1,528,042	1,356,533

## STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 March 2012

### GROUP

	Share Capital \$	Retained Earnings \$	Total Equity \$
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
Balance at 1 April 2011	14,571,119	49,970,146	64,541,265
Profit for the year, being total comprehensive income	0	1,598,805	1,598,805
Balance at 31 March 2012	14,571,119	51,568,951	66,140,070

### PARENT

	Share Capital \$	Retained Earnings \$	Total Equity \$
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
Balance at 1 April 2011	14,571,119	49,765,675	64,336,794
Profit for the year, being total comprehensive income	0	1,528,042	1,528,042
Balance at 31 March 2012	14,571,119	51,293,717	65,864,836



# STATEMENTS OF FINANCIAL POSITION

for the year ended 31 March 2012

	Notes	Group 2012 \$	2011 \$	Parent 2012 \$	2011 \$
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and Cash Equivalents		1,436,042	1,446,566	617,435	935,257
Current Investments		5,670,000	5,700,000	5,670,000	5,700,000
Trade and Other Receivables	6	754,134	738,082	718,187	708,549
Inventories	10	342,301	385,276	0	0
Work in Progress		50,739	7,919	0	0
Loan to Subsidiary	7	0	0	373,074	0
Deferred Tax	5	133,942	101,621	40,503	40,642
<b>TOTAL CURRENT ASSETS</b>		<b>8,387,159</b>	<b>8,379,464</b>	<b>7,419,199</b>	<b>7,384,448</b>
<b>NON-CURRENT ASSETS</b>					
Investments in Subsidiary	7	0	0	1,000,000	1,000,000
Loan to Subsidiary	7	0	0	0	573,074
Property, Plant and Equipment	8	70,266,459	70,102,934	69,760,905	69,260,479
Intangible Assets	9	611,368	459,488	609,956	451,208
Inventories	10	271,873	486,182	271,873	486,182
<b>TOTAL NON-CURRENT ASSETS</b>		<b>71,149,700</b>	<b>71,048,604</b>	<b>71,642,734</b>	<b>71,770,943</b>
<b>TOTAL ASSETS</b>		<b>79,536,859</b>	<b>79,428,068</b>	<b>79,061,933</b>	<b>79,155,391</b>
<b>LIABILITIES</b>					
<b>CURRENT LIABILITIES</b>					
Trade and Other Payables	11	1,340,514	2,835,465	1,328,273	3,035,412
Employee Entitlements	12	459,677	420,320	133,901	133,825
Taxation Payable		78,166	54,559	136,045	25,152
<b>TOTAL CURRENT LIABILITIES</b>		<b>1,878,357</b>	<b>3,310,344</b>	<b>1,598,219</b>	<b>3,194,389</b>
<b>NON-CURRENT LIABILITIES</b>					
Loan from Waitaki Power Trust	16	1,150,000	1,150,000	1,150,000	1,150,000
Deferred Tax	5	10,368,432	10,426,459	10,448,878	10,474,208
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>11,518,432</b>	<b>11,576,459</b>	<b>11,598,878</b>	<b>11,624,208</b>
<b>TOTAL LIABILITIES</b>		<b>13,396,789</b>	<b>14,886,803</b>	<b>13,197,097</b>	<b>14,818,597</b>
<b>EQUITY</b>					
Share Capital	13	14,571,119	14,571,119	14,571,119	14,571,119
Retained Earnings	14	51,568,951	49,970,146	51,293,717	49,765,675
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>66,140,070</b>	<b>64,541,265</b>	<b>65,864,836</b>	<b>64,336,794</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>79,536,859</b>	<b>79,428,068</b>	<b>79,061,933</b>	<b>79,155,391</b>





# STATEMENTS OF CASH FLOWS

or the year ended 31 March 2012

	Notes	Group 2012 \$	2011 \$	Parent 2012 \$	2011 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
<i>Cash was Provided from:</i>					
Receipts from Customers		13,889,468	13,993,055	12,494,554	13,103,868
Interest Received		247,058	361,456	248,833	387,429
		<u>14,136,526</u>	<u>14,354,511</u>	<u>12,743,387</u>	<u>13,491,297</u>
<i>Cash was Disbursed to:</i>					
Payments to Suppliers and Employees		(10,920,527)	(7,228,253)	(10,008,984)	(6,693,928)
Income Tax Paid		(327,589)	(275,926)	(239,000)	(243,990)
Net GST Paid		233,273	(117,462)	295,936	(201,267)
		<u>(11,014,843)</u>	<u>(7,621,641)</u>	<u>(9,952,048)</u>	<u>(7,798,095)</u>
<b>NET CASH FROM OPERATING ACTIVITIES</b>	15	3,121,683	6,732,870	2,791,340	6,352,112
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
<i>Cash was Provided from:</i>					
Proceeds from Sale of Assets		3,015	41,270	0	0
		<u>3,015</u>	<u>41,270</u>	<u>0</u>	<u>0</u>
<i>Cash was Applied to:</i>					
Purchase of Property, Plant and Equipment and Intangible Assets		(3,165,222)	(8,798,492)	(3,339,163)	(8,276,279)
		<u>(3,165,222)</u>	<u>(8,798,492)</u>	<u>(3,339,163)</u>	<u>(8,276,279)</u>
<b>NET CASH FROM INVESTING ACTIVITIES</b>		(3,162,207)	(8,757,222)	(3,339,163)	(8,276,279)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
<i>Cash was Provided from:</i>					
Repayment of Loan		0	0	200,000	0
Dividend from Network Waitaki Contracting Ltd		0	0	0	164,971
		<u>0</u>	<u>0</u>	<u>200,000</u>	<u>164,971</u>
<b>NET CASH FROM FINANCING ACTIVITIES</b>		0	0	200,000	164,971
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>		(40,524)	(2,024,352)	(347,818)	(1,759,196)
Cash and Cash Equivalents at Beginning of the Year		7,146,566	9,170,918	6,635,253	8,394,449
<b>CASH, CASH EQUIVALENTS AND DEPOSITS ON CALL AT END OF THE YEAR</b>		<u>7,106,042</u>	<u>7,146,566</u>	<u>6,287,435</u>	<u>6,635,253</u>



# 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 28 May 2012.

### 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 in the circumstances.

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

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.



## 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING THE ENTITY'S ACCOUNTING POLICIES (CONTINUED)

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 are depreciated at the rates provided by 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.

#### Construction Contracts

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

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



## 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### INCOME TAX

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

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

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

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

Deferred income tax is provided on temporary differences arising on investments in associates, except where the timing of the reversal of the temporary difference is controlled by the 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** relates to 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 include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

### CURRENT INVESTMENTS

Current investments comprise cash deposits held with financial institutions with an original 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.

### 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.





## 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

**Capital Contributions** are amortised over 10 years.

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

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

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

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	0%
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.



## 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### INTANGIBLE ASSETS

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

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

Intangible assets are carried at cost less accumulated amortisation.

The following amortisation rates have been used:

Item	Amortisation rate
Computer Software	20% 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

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.

### BORROWING COSTS

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

### BORROWINGS

Borrowings are initially measured at fair value plus transaction costs.

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

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

### FINANCIAL ASSETS

The only financial assets that the 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.



## 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 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.

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

#### Fair value estimation

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

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



## 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 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.

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

### SHARE CAPITAL

Ordinary shares are classified as equity.

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

### LEASES

#### Operating Leases

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

#### Finance Leases

##### The 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.





## 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### LEASES (CONTINUED)

#### 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.

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

### 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 INTERPRETATION 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 have been reviewed and are not expected to have a material effect on the Company.

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

- NZ IAS 24: Related Parties Revised  
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.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	Group		Parent	
	2012	2011	2012	2011
	\$	\$	\$	\$
<b>2 OPERATING REVENUE</b>				
<i>Operating Revenue Comprises:</i>				
Network	12,487,370	12,500,680	12,487,370	12,500,680
Capital Contributions	624,775	1,485,121	624,775	1,485,121
Metering	797,614	783,325	797,614	783,325
Interest	247,058	361,456	248,833	387,429
Bad Debts Recovered	1,679	483	1,679	483
Dividend Received	0	0	165,000	164,971
Rent	30,505	27,829	89,055	82,671
Contracting Revenue	1,669,507	970,385	0	0
Other	463,251	253,254	507,880	297,966
	<u>16,321,759</u>	<u>16,382,533</u>	<u>14,922,206</u>	<u>15,702,646</u>
<b>3 OPERATING EXPENSES</b>				
<i>Operating Expenses Comprise:</i>				
Operating Costs	3,969,648	2,421,859	3,026,136	2,614,098
Directors' Fees	166,500	160,859	166,500	160,859
Assets Scrapped	170,506	277,118	170,506	277,954
Donations	78,707	72,400	78,659	72,200
Audit Fees	48,427	47,329	34,777	35,779
Other Regulatory Audits - PWC	18,030	10,765	18,030	10,765
Other Regulatory Audits – Other	36,993	12,555	36,993	12,555
Rent	15,458	13,664	2,158	2,450
Bad Debts Written Off	0	13,129	0	13,129
	<u>4,504,269</u>	<u>3,029,678</u>	<u>3,533,759</u>	<u>3,199,789</u>
<b>4 DEPRECIATION, AMORTISATION AND IMPAIRMENT</b>				
<i>Depreciation and Amortisation Comprises:</i>				
Buildings	0	32,512	0	32,512
Contracting Equipment	216,716	270,569	0	0
Network Reticulation System	2,176,460	2,335,019	2,258,017	2,390,790
Meters and Relays	164,208	204,079	164,208	204,079
Plant and Equipment	120,212	88,277	92,422	85,899
Fibre Network	182,308	90,366	182,308	90,366
Intangibles	33,706	67,079	26,836	46,223
	<u>2,893,610</u>	<u>3,087,901</u>	<u>2,723,791</u>	<u>2,849,869</u>



# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	Group		Parent	
	2012	2011	2012	2011
	\$	\$	\$	\$
<b>5 TAXATION</b>				
<b>Tax Expense for Period Made up of</b>				
Income Tax Expense	351,193	444,465	349,925	361,877
Deferred Taxation Expense	(90,346)	607,257	(25,191)	630,374
	<b>260,847</b>	<b>1,051,722</b>	<b>324,734</b>	<b>992,251</b>
Operating Surplus Before Income Tax	1,859,652	2,408,199	1,852,776	2,348,784
Prima Facie Taxation @ 28 cents	520,703	0	518,777	0
Prima Facie Taxation @ 30 cents	0	722,460	0	704,635
<i>Movement in Income Tax Due to:-</i>				
Non Deferred Tax Differences				
Impact of Corporate Tax Rate Change	0	(635,672)	0	(643,438)
Impact of Removal of Depreciation on Buildings	0	1,425,432	0	1,425,432
Non Assessable Income	(169,080)	(462,269)	(203,643)	(495,028)
Non Deductible Expenses	10,637	1,771	9,600	650
Prior Period Adjustment	(101,413)	0	0	0
	<b>(259,856)</b>	<b>329,262</b>	<b>(194,043)</b>	<b>287,616</b>
<b>Tax Expense</b>	<b>260,847</b>	<b>1,051,722</b>	<b>324,734</b>	<b>992,251</b>
Deferred Tax Movements				
Impact of Corporate Tax Rate Change	0	635,672	0	643,438
Impact of Removal of Depreciation on Buildings	0	(1,425,432)	0	(1,425,432)
Depreciation	58,027	197,203	25,330	149,368
Other	32,321	(14,700)	(139)	2,252
	<b>90,348</b>	<b>(607,257)</b>	<b>25,191</b>	<b>(630,374)</b>
<b>Income Tax Expense</b>	<b>351,193</b>	<b>444,465</b>	<b>349,925</b>	<b>361,877</b>
As a result of the change in the NZ corporate tax rate from 30% to 28% that was enacted on 27th May 2011 and that was 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 2013 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 2011, with effect from financial year ended 31 March 2011, 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.				
<b>Imputation Credit Account</b>				
Opening Balance	5,731,163	5,457,171	5,656,709	5,412,717
Prior Period Adjustment	0	0	0	0
Income Tax Payments During the Year	423,000	273,992	303,000	243,992
Imputation Credit Received	(92,147)	0	(64,000)	0
Imputation Credit Allocated to Dividends in the Year	0	0	0	0
	<b>6,062,016</b>	<b>5,731,163</b>	<b>5,895,709</b>	<b>5,656,709</b>



# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 5 TAXATION (CONTINUED)

	Depreciation \$	Other \$	Total \$
<b>GROUP DEFERRED TAX LIABILITY/(ASSET)</b>			
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
<b>Closing Balance as at 31 March 2011</b>	<b>10,426,459</b>	<b>(101,621)</b>	<b>10,324,838</b>
Opening Balance as at 1 April 2011	10,426,459	(101,621)	10,324,838
Change in the Year	(58,027)	(32,321)	(90,348)
<b>Closing Balance as at 31 March 2012</b>	<b>10,368,432</b>	<b>(133,942)</b>	<b>10,234,490</b>
<b>Group Current and Non-Current Deferred tax Liability/(Asset)</b>			
<b>2011</b>			
Current Deferred Tax	0	(101,621)	(101,621)
Non-Current Deferred Tax	10,426,459	0	10,426,459
<b>Total Deferred tax</b>	<b>10,426,459</b>	<b>(101,621)</b>	<b>10,324,838</b>
<b>2012</b>			
Current Deferred Tax	0	(133,942)	(133,942)
Non-Current Deferred Tax	10,368,432	0	10,368,432
<b>Total Deferred Tax</b>	<b>10,368,432</b>	<b>(133,942)</b>	<b>10,234,490</b>
<b>PARENT DEFERRED TAX LIABILITY/(ASSET)</b>			
Opening Balance as at 1 April 2010	9,844,486	(41,294)	9,803,192
Change in the Year	629,722	652	630,374
<b>Closing Balance as at 31 March 2011</b>	<b>10,474,208</b>	<b>(40,642)</b>	<b>10,433,566</b>
Opening Balance as at 1 April 2011	10,474,208	(40,642)	10,433,566
Change in the Year	(25,330)	139	(25,191)
<b>Closing Balance as at 31 March 2012</b>	<b>10,448,878</b>	<b>(40,503)</b>	<b>10,408,375</b>
<b>Current and Non-Current Deferred Tax Liability/(Asset)</b>			
<b>2011</b>			
Current Deferred Tax	0	(40,642)	(40,642)
Non-Current Deferred Tax	10,474,208	0	10,474,208
<b>Total Deferred tax</b>	<b>10,474,208</b>	<b>(40,642)</b>	<b>10,433,566</b>
<b>2012</b>			
Current Deferred Tax	0	(40,503)	(40,503)
Non-Current Deferred Tax	10,448,878	0	10,448,878
<b>Total Deferred Tax</b>	<b>10,448,878</b>	<b>(40,503)</b>	<b>10,408,375</b>





## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	Group		Parent	
	2012	2011	2012	2011
	\$	\$	\$	\$
<b>6 TRADE AND OTHER RECEIVABLES</b>				
<i>The Balance Comprises:</i>				
Trade Receivables	439,476	140,268	216,767	102,107
Trade Receivable from Subsidiaries	0	0	67,006	28,230
<b>Total Receivables</b>	<b>439,476</b>	<b>140,268</b>	<b>283,773</b>	<b>130,337</b>
Other Receivables	42,041	87,843	207,042	86,764
Prepayments	131,368	72,786	86,123	54,263
GST	141,249	437,185	141,249	437,185
<b>Balance at End of Year</b>	<b>754,134</b>	<b>738,082</b>	<b>718,187</b>	<b>708,549</b>
Trade and Other Receivables less than 90 days old	740,390	702,804	705,110	674,964
Trade and Other Receivables greater than 90 days old	13,744	35,278	13,077	33,585
	<b>754,134</b>	<b>738,082</b>	<b>718,187</b>	<b>708,549</b>

No Trade and Other Receivables were impaired in 2011 or 2012.

## 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 2010	1,000,000	573,074	1,573,074
Movement	0	0	0
<b>Closing Balance as at 31 March 2011</b>	<b>1,000,000</b>	<b>573,074</b>	<b>1,573,074</b>
Opening Balance as at 1 April 2011	1,000,000	573,074	1,573,074
Movement	0	(200,000)	(200,000)
<b>Closing Balance as at 31 March 2012</b>	<b>1,000,000</b>	<b>373,074</b>	<b>1,373,074</b>



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 8 PROPERTY, PLANT AND EQUIPMENT

GROUP	Freehold Land	Buildings	Network Reticulation System	Meters and Relays	Easements	Fibre Network	Contracting Equipment	Plant and Equipment	Totals
	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Gross Carrying Amount</b>									
At 1 April 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	79,681	10,710,342
Disposals	0	0	(740,763)	(676,367)	(910)	0	(152,203)	(59,026)	(1,629,269)
At 31 March 2011	204,180	1,113,104	82,617,320	3,144,016	47,142	2,604,400	1,739,014	1,046,135	92,515,311
Additions	0	0	2,228,173	25,734	22,319	0	0	342,828	2,619,054
Disposals	0	0	(285,297)	(360,903)	0	0	0	(7,202)	(653,402)
At 31 March 2012	204,180	1,113,104	84,560,196	2,808,847	69,461	2,604,400	1,739,014	1,381,761	94,480,963
<b>Accumulated Depreciation and Impairment</b>									
At 1 April 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	107,751	3,020,822
Disposals	0	0	(469,238)	(676,367)	0	0	(124,184)	(40,106)	(1,309,895)
At 31 March 2011	0	275,587	19,794,902	1,648,928	0	90,366	296,794	459,114	22,565,691
Charge for Year	0	0	2,176,460	164,208	0	182,308	216,716	120,212	2,859,904
Disposals	0	0	(130,476)	(360,896)	0	0	0	(693)	(492,065)
At 31 March 2012	0	275,587	21,840,886	1,452,240	0	272,674	513,510	578,633	24,933,530
<b>Net Book Values</b>									
At 31 March 2011	204,180	837,517	62,822,420	1,495,088	47,712	2,514,034	1,442,221	587,023	69,949,629
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
At 31 March 2012	204,180	837,517	62,719,310	1,356,607	69,461	2,331,726	1,225,504	803,130	69,547,435
Work in Progress	0	0	685,600	0	33,424	0	0	0	719,024
	204,180	837,517	63,404,910	1,356,607	102,885	2,331,726	1,225,504	803,130	70,266,459



# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 8 PROPERTY, PLANT AND EQUIPMENT

PARENT	Freehold Land	Buildings	Network Reticulation System	Meters and Relays	Fibre Network	Easements	Plant and Equipment	Totals
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Gross Carrying Amount</b>								
At 1 April 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
Additions	0	0	2,593,378	25,734	0	22,319	151,564	2,792,995
Disposals	0	0	(285,297)	(360,903)	0	0	(6,500)	(652,700)
At 31 March 2012	204,180	1,113,104	85,627,573	2,808,847	2,604,400	69,461	1,176,417	93,603,982
<b>Accumulated Depreciation and Impairment</b>								
At 1 April 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
Charge for Year	0	0	2,258,017	164,208	182,308	0	92,422	2,696,955
Disposals	0	0	(130,476)	(360,896)	0	0		(491,372)
At 31 March 2012	0	275,587	22,011,132	1,452,240	272,674	0	550,468	24,562,101
<b>Net Book Values</b>								
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
	<b>204,180</b>	<b>837,517</b>	<b>63,561,842</b>	<b>1,495,088</b>	<b>2,514,034</b>	<b>74,510</b>	<b>573,308</b>	<b>69,260,479</b>
At 31 March 2012	204,180	837,517	63,616,441	1,356,607	2,331,726	69,461	625,949	69,041,881
Work in Progress	0	0	685,600	0	0	33,424	0	719,024
	<b>204,180</b>	<b>837,517</b>	<b>64,302,041</b>	<b>1,356,607</b>	<b>2,331,726</b>	<b>102,885</b>	<b>625,949</b>	<b>69,760,905</b>



# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	Group		Parent	
	2012	2011	2012	2011
	\$	\$	\$	\$
<b>9 INTANGIBLE ASSETS</b>				
<b>Purchased Software</b>				
<b>Gross Carrying Amount</b>				
Opening Balance	279,075	305,148	219,111	247,611
Additions	251,928	28,458	251,928	26,031
Disposals	(79,246)	(54,531)	(79,248)	(54,531)
<b>Closing Balance</b>	<b>451,757</b>	<b>279,075</b>	<b>391,791</b>	<b>219,111</b>
<b>Accumulated Amortisation and Impairment</b>				
Opening Balance	231,880	219,332	180,196	188,504
Charge for Year	33,706	67,079	26,836	46,223
Disposals	(70,070)	(54,531)	(70,070)	(54,531)
<b>Closing Balance</b>	<b>195,516</b>	<b>231,880</b>	<b>136,962</b>	<b>180,196</b>
Net Book Value	256,239	47,195	254,829	38,915
Work in Progress	355,127	412,293	355,127	412,293
<b>Carrying Amount</b>	<b>611,368</b>	<b>459,488</b>	<b>609,956</b>	<b>451,208</b>
<b>10 INVENTORIES</b>				
<b>CURRENT ASSET INVENTORIES</b>				
<b>Contracting Inventory</b>				
Opening Balance	385,276	358,462	0	0
Purchases in the Year	826,181	1,267,353	0	0
Inventory Sold	(869,156)	(1,240,539)	0	0
Closing Inventory	342,301	385,276	0	0
<b>NON-CURRENT ASSET INVENTORIES</b>				
<b>Network Inventory</b>				
Opening Balance	474,456	547,722	474,456	547,722
Purchases in the Year	363,940	725,377	363,940	725,377
Used on the Reticulation System	(573,609)	(798,643)	(573,609)	(798,643)
Closing Inventory	264,787	474,456	264,787	474,456
<b>Metering Inventory</b>				
Opening Balance	11,726	11,743	11,726	11,743
Purchases in the Year	34,946	23,666	34,946	23,666
Transferred to Meters and Relays	(39,586)	(23,683)	(39,586)	(23,683)
Closing Inventory	7,086	11,726	7,086	11,726
Total Non-Current Inventory	271,873	486,182	271,873	486,182

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.





## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	Group		Parent	
	2012	2011	2012	2011
	\$	\$	\$	\$
<b>11 TRADE AND OTHER PAYABLES</b>				
The Balance Comprises:				
Trade Payables	869,448	2,197,541	605,146	1,960,175
Trade Payable to Subsidiaries	0	0	372,244	663,490
<b>Total Payables</b>	<b>869,448</b>	<b>2,197,541</b>	<b>977,390</b>	<b>2,623,665</b>
Accruals	409,879	514,072	350,883	411,747
G.S.T. Payable	61,187	123,852	0	0
<b>Balance at End of Year</b>	<b>1,340,514</b>	<b>2,835,465</b>	<b>1,328,273</b>	<b>3,035,412</b>

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

Leave Entitlements	369,236	339,811	133,901	133,825
Other Entitlements	90,441	80,509	0	0
<b>Total</b>	<b>459,677</b>	<b>420,320</b>	<b>133,901</b>	<b>133,825</b>

## 13 SHARE CAPITAL

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
<b>Total Number of Ordinary Shares Authorised</b>	<b>14,000,000</b>	<b>14,000,000</b>	<b>14,000,000</b>	<b>14,000,000</b>

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 2012 year (2011 nil).



# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	Group		Parent	
	2012	2011	2012	2011
	\$	\$	\$	\$
<b>14 RETAINED EARNINGS</b>				
Balance at Beginning of Year	49,970,146	48,613,669	49,765,675	48,409,142
Net Surplus for Year	1,598,805	1,356,477	1,528,042	1,356,533
Dividend Paid	0	0	0	0
Balance at End of Year	51,568,951	49,970,146	51,293,717	49,765,675

## 15 RECONCILIATION OF NET PROFIT WITH CASHFLOW FROM OPERATING ACTIVITIES

Net Profit for the Year	1,598,805	1,356,477	1,528,042	1,356,533
Add/(Less) Non-Cash Items:				
Depreciation and Amortisation	2,893,610	3,087,901	2,723,791	2,849,869
Assets Scrapped	167,501	277,118	170,506	277,954
Share of Associate Profit	0	0	0	0
Dividend from Network Waitaki Contracting	0	0	0	(164,971)
Deferred Taxation	(90,348)	607,257	(25,191)	630,374
	<u>2,970,763</u>	<u>3,972,276</u>	<u>2,869,106</u>	<u>3,593,226</u>
	4,569,568	5,328,753	4,397,148	4,949,759
<b>Add/(Less) Movements in Working Capital Items:</b>				
(Increase) / Decrease in Trade and Other Receivables	(16,052)	137,732	(9,638)	119,375
(Increase) / Decrease in Inventories	42,975	(26,814)	0	0
(Increase) / Decrease in Work in Progress	(42,820)	208,941	0	0
(Increase) / Decrease in Tax Refund Due	0	113,980	0	92,735
Increase / (Decrease) in Tax Payable	23,607	54,559	110,893	25,152
Increase / (Decrease) in Trade and Other Payables	(1,494,951)	883,301	(1,707,139)	1,164,882
Increase / (Decrease) in Employee Entitlements	39,357	32,417	76	208
	<u>(1,447,884)</u>	<u>1,404,116</u>	<u>(1,605,808)</u>	<u>1,402,353</u>
<b>Net Cash Flows From Operating Activities:</b>	<b>3,121,683</b>	<b>6,732,869</b>	<b>2,791,340</b>	<b>6,352,112</b>

## 16 LOAN FROM WAITAKI POWER TRUST

Opening Balance at 1 April 2011	1,150,000	1,150,000	1,150,000	1,150,000
Amount Drawn Down on 31 March 2012	0	0	0	0
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 no capital commitments as at 31 March 2012 (2011 \$19,233).

### PARENT

Network Waitaki Limited has no capital commitments as at 31 March 2012 (2011 \$19,233).



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 18 RELATED PARTY TRANSACTIONS

2012  
\$

2011  
\$

#### 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.

Dividend	165,000	164,971
Rent and Associated Costs	58,550	59,450
Share of Directors' Fees	47,634	44,712
Interest on Loan	24,889	35,529
Payments outstanding at balance date		
Trade Payables	67,006	28,231
Dividend	165,000	0
Loan	373,074	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.

Contracting Services	3,986,548	4,595,183
Payments outstanding at balance date		
Trade Payables	372,244	663,490

#### Payments from Network Waitaki Limited to Waitaki Power Trust

Dividend	0	0
Interest	67,850	70,754
Outstanding Balance at Balance Date	0	0

#### Payments from Waitaki Power Trust to Network Waitaki Limited

Loan	0	0
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.

Salaries	807,735	723,024
Outstanding Balance at Balance Date	0	0



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 19 ANALYSES OF FINANCIAL LIABILITIES

#### GROUP

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

At 31 March 2012

	Less than 1 Year	Between 1 and 2 Years	Between 2 and 5 Years	Over 5 Years
Loan	\$67,850	\$67,850	\$203,550	\$1,102,800
Trade and Other Payables	\$1,271,143	\$0	\$0	\$0

The loan is interest only, with no maturity date. The current interest rate is 5.90%.

The over 5 year amounts allow for payments up to 10 years.

#### PARENT

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

At 31 March 2012

	Less than 1 Year	Between 1 and 2 Years	Between 2 and 5 Years	Over 5 Years
Loan	\$67,850	\$67,850	\$203,550	\$1,102,800
Trade and Other Payables	\$1,328,273	\$0	\$0	\$0

The loan is interest only, with no maturity date. The current interest rate is 5.90%.

The over 5 years amounts allow for payments up to 10 years.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 20 OPERATING LEASES

	Group		Parent	
	2012	2011	2012	2011
	\$	\$	\$	\$
<b>LESSORS - OPERATING LEASES</b>				
No later than one year	424,119	384,465	424,119	384,465
Later than one year and no later than five years	1,696,477	1,473,573	1,696,477	1,473,573
	<u>2,120,596</u>	<u>1,858,038</u>	<u>2,120,596</u>	<u>1,858,038</u>

### LESSEES - OPERATING LEASES

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

No later than one year	465,977	432,277	465,977	432,277
Later than one year and no later than five years	1,712,350	1,589,628	1,712,350	1,589,628
	<u>2,178,327</u>	<u>2,021,905</u>	<u>2,178,327</u>	<u>2,021,905</u>

### 21 CONTINGENT LIABILITIES

#### GROUP

The Group has no contingent liabilities as at 31 March 2012 (2011 Nil).

#### PARENT

The Parent has no contingent liabilities as at 31 March 2012 (2011 Nil).

### 22 SUBSEQUENT EVENTS

There have been no events (2011 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

### GROUP FINANCIAL PERFORMANCE MEASURES

GROUP STATEMENT OF COMPREHENSIVE INCOME FOR YEAR ENDED 31 MARCH 2012			
	ACTUAL	SCI	VARIANCE
	\$	\$	\$
<b>Statement of Comprehensive Income</b>			
Operating Revenue	15,696,984	15,925,325	(228,341)
Operating Expenses	(9,627,402)	(8,769,824)	(857,578)
<b>Operating Profit</b>	<b>6,069,582</b>	<b>7,155,501</b>	<b>(1,085,919)</b>
Less Depreciation	(2,893,610)	(3,396,269)	502,659
Net Profit from Operational Activities	3,175,972	3,759,232	(583,260)
Other Income	0	0	0
<b>Operating Profit after Other Income</b>	<b>3,175,972</b>	<b>3,759,232</b>	<b>(583,260)</b>
Less Discount	(1,873,245)	(2,379,604)	506,359
<b>Operating Profit after Discount</b>	<b>1,302,727</b>	<b>1,379,628</b>	<b>(76,901)</b>
Interest Expenses	(67,850)	(71,760)	3,910
Operating Profit after Interest Income & before Tax	1,234,877	1,307,868	(72,991)
Taxation	(260,847)	(366,203)	105,356
<b>Net Profit after Taxation and before Capital Contributions</b>	<b>974,030</b>	<b>941,665</b>	<b>32,365</b>

Comment

The higher Net Profit after taxation represents a lower depreciation charge and a lower discount paid to consumers.

GROUP BALANCE SHEET AS AT 31 MARCH 2012			
	ACTUAL	SCI	VARIANCE
	\$	\$	\$
Shareholders' Equity	66,140,070	65,142,808	997,262
Current Assets	8,387,159	8,391,465	(4,306)
Current Liabilities	1,878,357	2,202,697	324,340
Working Capital	6,508,802	6,188,768	320,034
Non-Current Assets	71,149,700	69,855,411	1,294,289
Non-Current Liabilities	11,518,432	10,901,371	(617,061)
	59,631,268	58,954,040	677,228
Net Assets	66,140,070	65,142,808	997,262

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.



## PERFORMANCE TARGETS (CONTINUED)

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

### GROUP FINANCIAL PERFORMANCE MEASURES (CONTINUED)

KEY FINANCIAL REPORTING MEASURES			
	ACTUAL	SCI	VARIANCE
NPBT to Shareholder' Funds	2.81%	2.01%	0.80
Net Assets per Share	\$4.72	\$4.65	\$0.07
NPBT Earnings per Share in cents	13.28 Cents	9.34 Cents	3.94 Cents
Ratio of Shareholders' Funds to Total Assets	82.94%	83.25%	(0.31)

#### Comment

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

### PARENT FINANCIAL PERFORMANCE MEASURES

PARENT INCOME STATEMENT FOR YEAR ENDED 31 MARCH 2012			
	ACTUAL	SCI	VARIANCE
	\$	\$	\$
<b>Statement of Comprehensive Income</b>			
Operating Revenue	14,132,431	15,185,516	(1,053,085)
Operating Expenses	(5,388,096)	(5,444,857)	56,761
<b>Operating Profit</b>	<b>8,744,335</b>	<b>9,740,659</b>	<b>(996,324)</b>
Gross Profit Percentage	62%	64%	(2%)
Less Other Expenses	(5,740,239)	(6,421,068)	680,829
<b>Net Profit from Operational Activities</b>	<b>3,004,096</b>	<b>3,319,591</b>	<b>(315,495)</b>
Other Income	0	0	0
<b>Operating Profit after Other Income</b>	<b>3,004,096</b>	<b>3,319,591</b>	<b>(315,495)</b>
Less Discount	(1,873,245)	(2,379,604)	506,359
<b>Operating Profit after Discount</b>	<b>1,130,851</b>	<b>939,987</b>	<b>190,864</b>
Interest Expenses	(67,850)	(71,760)	3,910
Operating Profit after Interest Income & before Tax	1,063,001	868,227	194,774
Taxation	(324,734)	(243,103)	(81,631)
<b>Net Profit after Taxation and before Capital Contributions</b>	<b>738,267</b>	<b>625,124</b>	<b>113,143</b>
Capital Contributions	624,775	0	624,775
<b>Net Profit after capital contributions</b>	<b>1,363,042</b>	<b>625,124</b>	<b>737,918</b>
Dividend from Network Waitaki Contracting Limited	165,000	164,971	29
<b>Retained Surplus for the Period</b>	<b>1,528,042</b>	<b>790,095</b>	<b>737,947</b>



# PERFORMANCE TARGETS (CONTINUED)

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

## GROUP NON-FINANCIAL PERFORMANCE MEASURES (NOT AUDITED)

	ACTUAL	SCI	VARIANCE
Average Interruption Duration (SAIDI)	50.77	90.00	39.23
Average Interruption Frequency (SAIFI)	0.95	1.70	0.75
Customer Average Interruption Duration (CAIDI)	53.27	52.94	(0.33)
Network Operating Cost per ICP	\$301.01	\$320.37	\$19.36
Network Operating Cost per Circuit km of Line	\$2,141.34	\$2,267.96	\$126.62

### Comment

The low level of SAIDI is the result of lower unplanned outages and the use of live line techniques.



## SOURCES OF INFORMATION

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

<p><b>Information available on the</b></p> <p>Network Waitaki website includes:</p> <ul style="list-style-type: none"> <li>Network Disclosures</li> <li>Pricing Methodology</li> <li>Tariff</li> <li>Use of System Agreement</li> <li>Price Path Threshold</li> <li>Tree Management</li> <li>Network Assets Management Plan</li> <li>Working Around Overhead Lines</li> <li>Statement of Corporate Intent</li> </ul>	<p><b>Other websites of interest include:</b></p> <ul style="list-style-type: none"> <li><a href="http://www.comcom.govt.nz">www.comcom.govt.nz</a> (Commerce Commission)</li> <li><a href="http://www.egcomplaints.co.nz">www.egcomplaints.co.nz</a> (Electricity &amp; Gas Complaints Commission)</li> <li><a href="http://www.ea.govt.nz">www.ea.govt.nz</a> (Electricity Authority)</li> <li><a href="http://www.med.govt.nz">www.med.govt.nz</a> (Ministry of Economic Development)</li> <li><a href="http://www.transpower.co.nz">www.transpower.co.nz</a> (Transpower)</li> <li><a href="http://www.contactenergy.co.nz">www.contactenergy.co.nz</a> (Contact Energy)</li> <li><a href="http://www.genesisenergy.co.nz">www.genesisenergy.co.nz</a> (Genesis Energy)</li> <li><a href="http://www.meridianenergy.co.nz">www.meridianenergy.co.nz</a> (Meridian Energy)</li> <li><a href="http://www.mightyriverpower.co.nz">www.mightyriverpower.co.nz</a> (Mighty River Power)</li> <li><a href="http://www.trustpower.co.nz">www.trustpower.co.nz</a> (TrustPower)</li> <li><a href="http://www.whatsyournumber.org.nz">www.whatsyournumber.org.nz</a> (Consumer Powerswitch)</li> <li><a href="http://www.eeca.co.nz">www.eeca.co.nz</a> (Energy Efficiency and Conservation Authority)</li> </ul>
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Feedback: email [service@networkwaitaki.co.nz](mailto:service@networkwaitaki.co.nz) with suggestions on how we can improve our reporting and consulting with consumers.



## ***Independent Auditor's Report***

To the readers of Network Waitaki Limited's financial statements and financial performance targets for the year ended 31 March 2012

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 and financial performance targets of the company and group on her behalf.

We have audited:

- the financial statements of the company and group on pages 15 to 37, that comprise the statements of financial position as at 31 March 2012, the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the financial performance targets of the company and group on page 38 to 39.

### ***Opinion***

#### ***Financial statements and financial performance targets***

In our opinion:

- the financial statements of the company and group on pages 15 to 37:
  - 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 and group's:
    - financial position as at 31 March 2012; and
    - financial performance and cash flows for the year ended on that date;
- the financial performance targets of the company and group on page 38 to 39:
  - complies with generally accepted accounting practice in New Zealand; and
  - gives a true and fair view of the company and group's achievements measured against the financial performance targets adopted for the year ended 31 March 2012.

#### ***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.

Our audit was completed on 28 May 2012. This 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 our responsibilities, and explain our independence.

#### ***Basis of opinion***

We carried out our 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 and financial performance targets 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 and financial performance targets. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

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## ***Independent Auditor's Report***

To the readers of Network Waitaki Limited's financial statements and financial performance targets for the year ended 31 March 2012

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements and financial performance targets. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and financial performance targets whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the company and group's financial statements and financial performance targets 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 company and group'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 financial performance targets; and
- the overall presentation of the financial statements and financial performance targets.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and financial performance targets. 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***

The Board of Directors is responsible for preparing financial statements and financial performance targets 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; and
- give a true and fair view of the company and group's performance achievements.

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

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

### ***Responsibilities of the Auditor***

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001 and 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 New Zealand Institute of Chartered Accountants.

In addition to the audit, we have carried out assignments in the areas of compliance with the Electricity Distribution (Information Disclosure) Requirements 2008, other regulatory requirements of the Commerce Act 1986 and limited scope non-assurance procedures, 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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