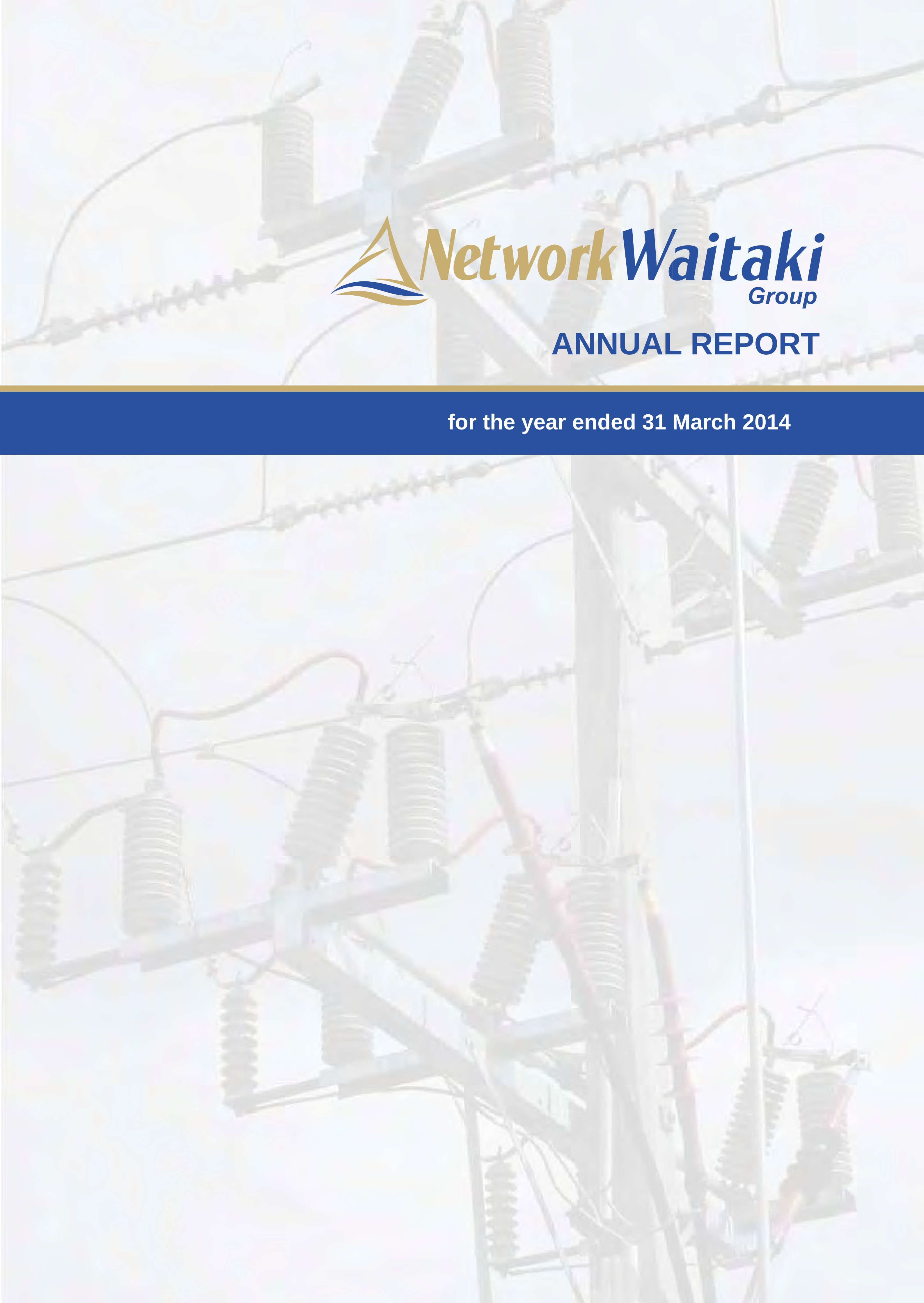

Network Waitaki Group

ANNUAL REPORT

for the year ended 31 March 2014

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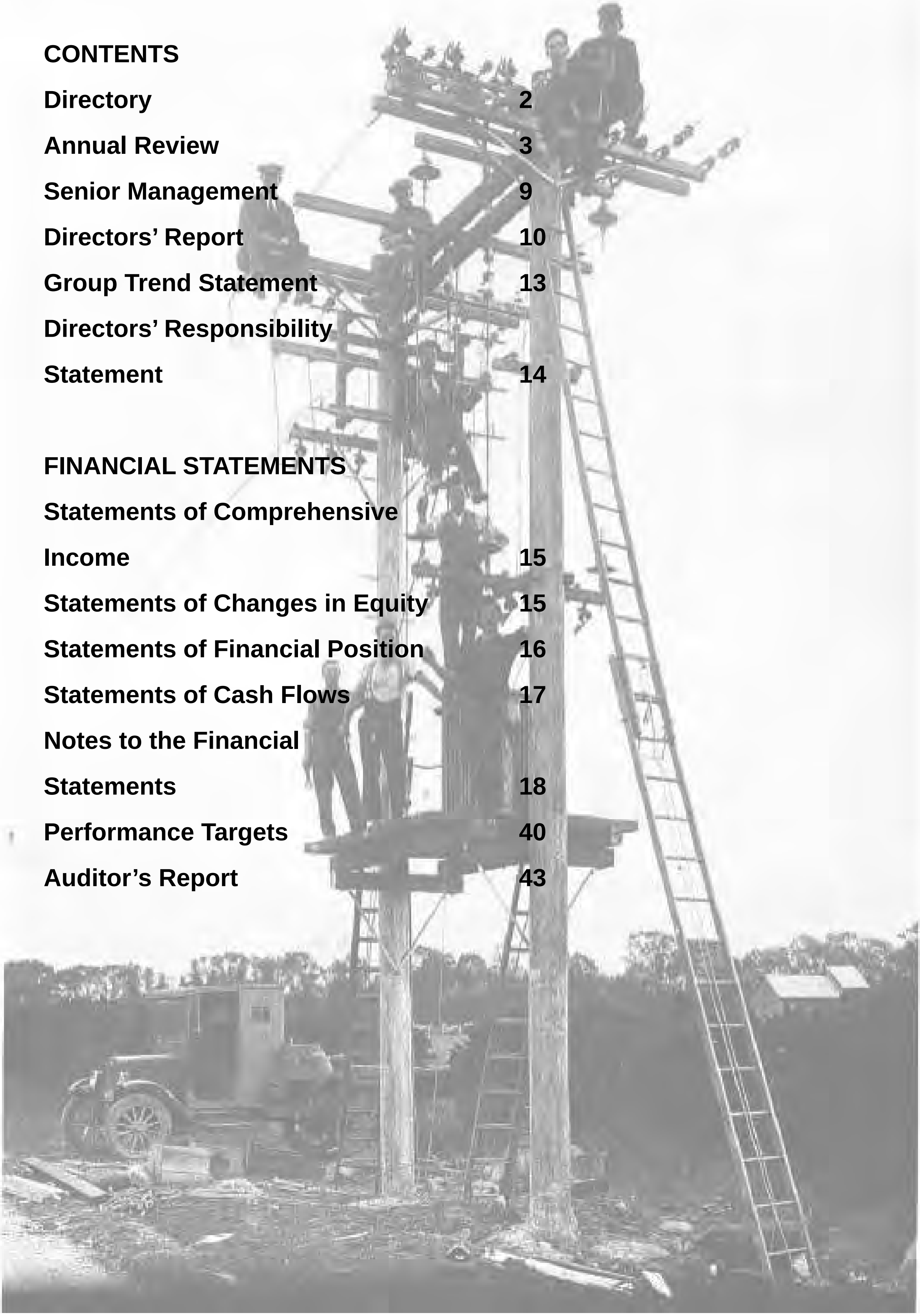
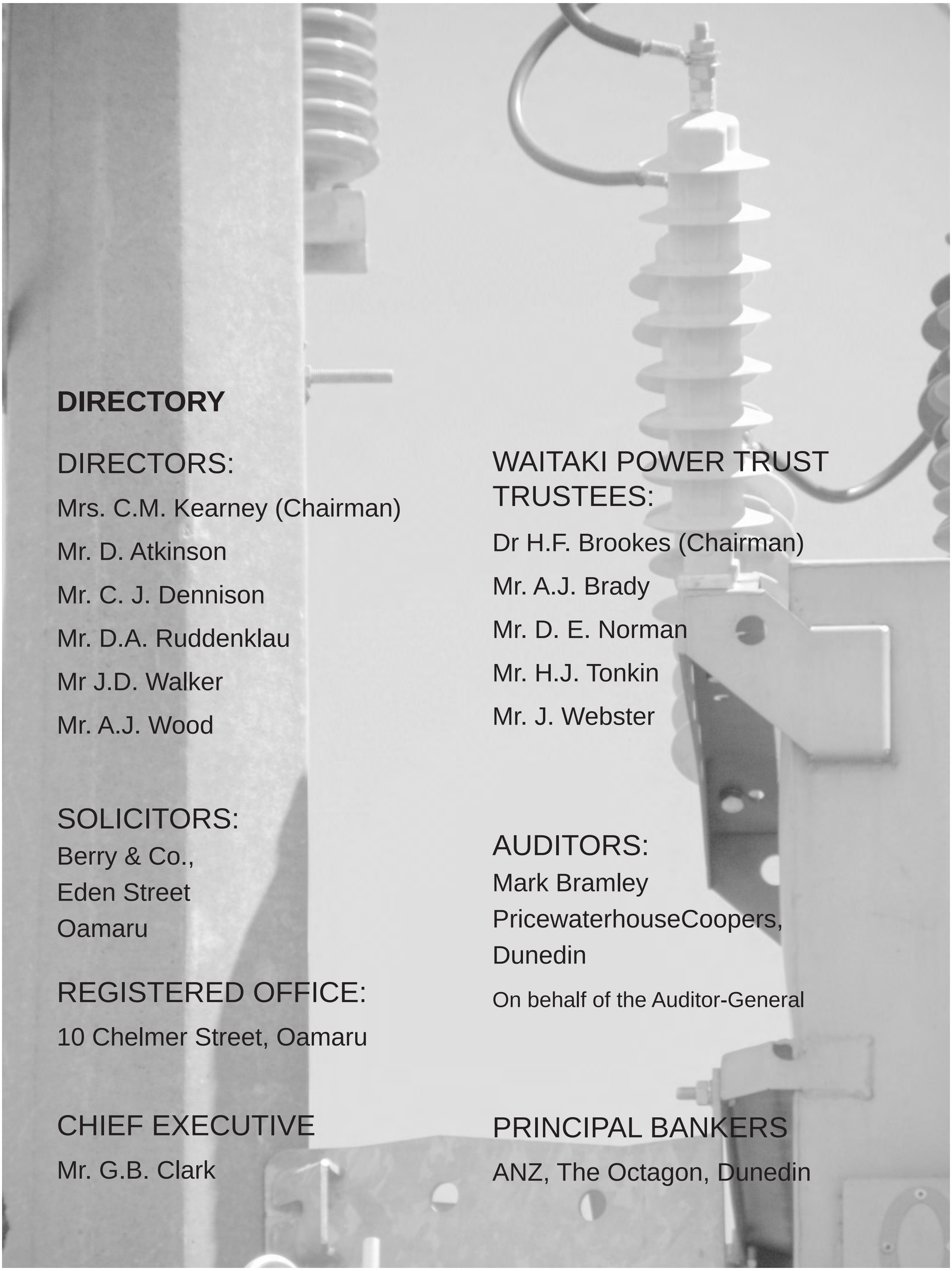




DIRECTORY

DIRECTORS:

Mrs. C.M. Kearney (Chairman)

Mr. D. Atkinson

Mr. C. J. Dennison

Mr. D.A. Ruddenklau

Mr J.D. Walker

Mr. A.J. Wood

WAITAKI POWER TRUST TRUSTEES:

Dr H.F. Brookes (Chairman)

Mr. A.J. Brady

Mr. D. E. Norman

Mr. H.J. Tonkin

Mr. J. Webster

SOLICITORS:

Berry & Co.,
Eden Street
Oamaru

AUDITORS:

Mark Bramley
PricewaterhouseCoopers,
Dunedin

On behalf of the Auditor-General

REGISTERED OFFICE:

10 Chelmer Street, Oamaru

CHIEF EXECUTIVE

Mr. G.B. Clark

PRINCIPAL BANKERS

ANZ, The Octagon, Dunedin

ANNUAL REVIEW

Graham Clark

INTRODUCTION

The Directors and Chief Executive of the Network Waitaki Ltd Group are pleased to be able to present the Annual Report for the year ending 31 March 2014.

Clare Kearney

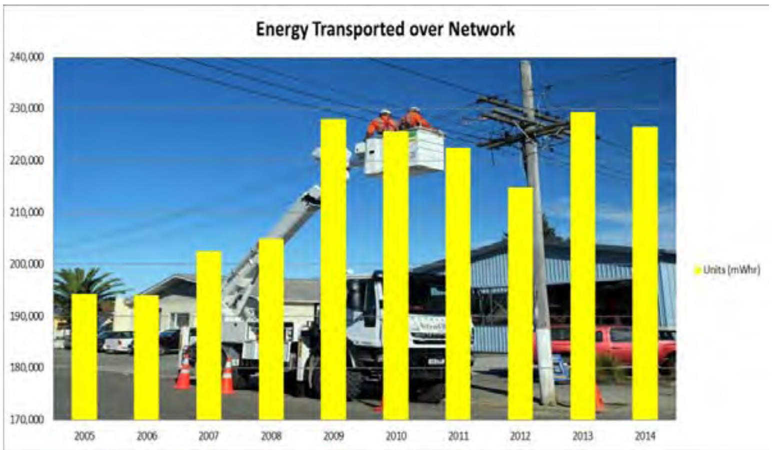
Network Waitaki Ltd and its subsidiary company, Network Waitaki Contracting Ltd, is a Consumer Trust-owned company with shares held by the Waitaki Power Trust on behalf of consumers. Our key commitment to the consumers is to operate a safe, secure and cost-efficient electricity network that is able to meet growing customer demand for electricity. We also do what we can to support the growth and wellbeing of the community.

Overview

The ongoing growth in North Otago has resulted in the need for continued investment in the electricity distribution network. This has involved increasing transformer capacity, upgrading zone substations, line refurbishment and construction of new assets.

Key Company Statistics at 31 March 2014	
Length of 33kV lines and cables (km)	175
Length of 11kV lines and cables (km)	1,355
Length of LV lines and cables (km)	218
Number of zone substations	15
Number of connected customers	12,353
Coincident maximum demand (MW)	51
Energy transported across the network (GWh)	239
Distribution transformer capacity (and customer owned: MVA)	188
Zone substation transformer capacity (MVA)	161
Discount paid to consumers (excluding GST $m)	1.676
Number of employees in Group	52

The weather events of the past year have had an adverse impact on network performance and have resulted in an increased number of customer minutes lost than experienced in recent years. The wet summer has also meant that the potential growth in units transported has not eventuated due to the lower level of irrigation occurring.



As reported last year, the growth in demand for electricity in North Otago now means the transmission supply to the area is constrained. The preferred solution had been based on the Transpower Switching Station at Livingstone.

Studies undertaken by Transpower for Network Waitaki Limited ("Network Waitaki") showed that the cost associated with this solution was prohibitive without an assured step in demand as provided by a cement plant at Weston.

Alternative options were investigated. With the irrigation developments in the Hakataramea Valley it has been decided to upgrade the Lake Waitaki Grid Exit Point and build new sub transmission lines between Kurow and Duntroon.

Financial

The financial performance of the group was higher than expected due to the positive contribution made by the contracting division, as well as from an increase in Capital Contributions. Capital Contributions totalled $1,459,782 (2013 $1,127,125) and reflect a higher level of consumer investment.

Consumers received a total discount of $1,676,203 excluding GST (2013 $2,023,638 excluding GST). The level of discount reflected the decision to retain funds in the business in order to finance the 2015 investment in subtransmission assets to secure the supply of electricity to the district.

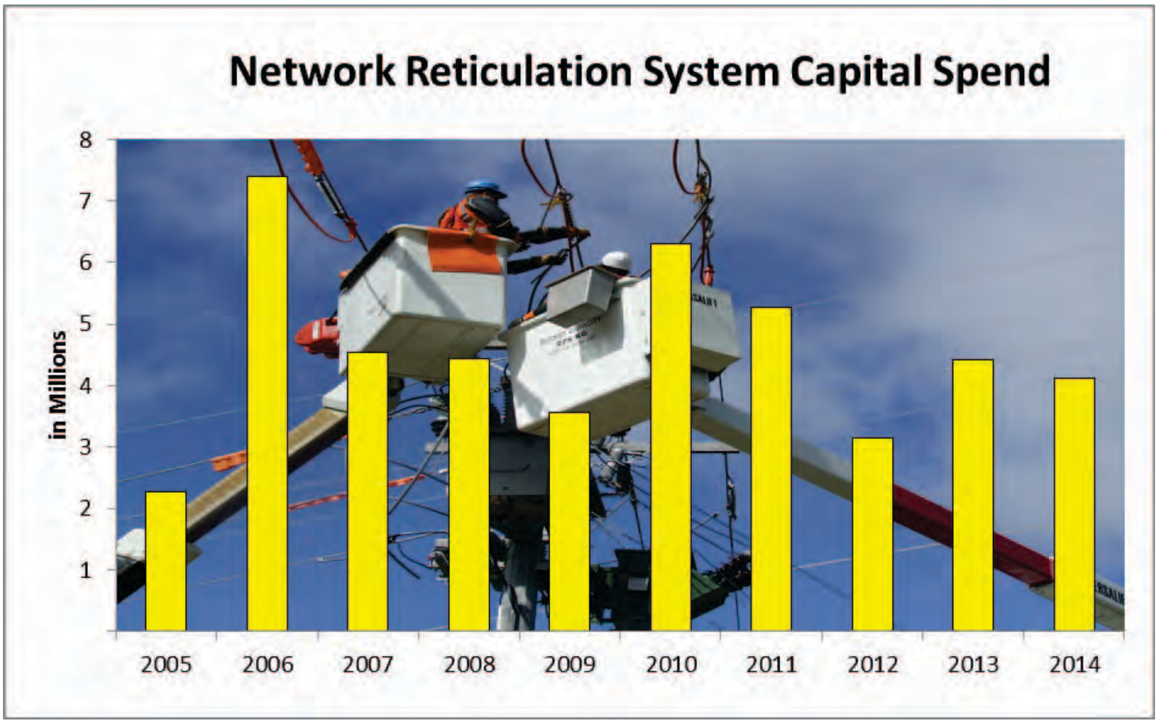
A net profit before tax of $3,858,693 (2013 $3,344,583) was achieved.

Network Operations

Capital expenditure for the Parent amounted to $5,070,677 (2013 $4,677,851). Network capital expenditure amounted to $4,163,629.

Capital expenditure is summarised below:

Network Waitaki expenditure classification	Value
Load Growth	$1,569,436
Security	$893,722
Condition Replacement	$905,462
Customer Connection	$759,992
Total	**$4,128,612**



Overall, reliability of the network for 2013/14 was good, with Normalised outage interruptions (measured using the System Average Incident Duration Index ("SAIDI")) at 79.62 This is less than the target as calculated in accordance with the industry methodology of 116.5 and the Company target of 81.07. The actual Non-Normalised SAIDI was 91.54 (2013 54.73).

SAIDI (Actual)	2007 - 2008	2008 - 2009	2009 - 2010	2010 - 2011	2011 - 2012	2012 - 2013	2013 - 2014
Planned	24.14	10.76	14.68	11.38	13.52	4.84	7.69
Unplanned	70.53	58.60	49.61	49.95	37.33	49.89	83.85
Total	94.67	69.36	64.29	61.33	50.85	54.73	91.54
National Median	139.90	200.90	153.80	195.40	173.70	155.80	N/A

National Median Figures Obtained from PWC 2013 Information Disclosure Compendium

Transmission

As reported last year a secure transmission supply is necessary to enable Network Waitaki to meet the growing need of its consumers for electricity. Growth has continued with 4,759kW of applications for new supply being made in the 2013/14 year. This is a 9.5% increase before diversity on base demand.
This growth is for the following categories of consumer:

Category of Consumer	kW	%
Irrigation	3,290	69
Dairy Shed	796	17
Commercial	186	4
Industrial	195	4
Residential	292	6
Total	**4,759**	**100**

In association with Transpower and Meridian Energy, Network Waitaki is upgrading the Lake Waitaki Grid Exit Point in the 2014/15 year. This development will allow the required supply to be made available for new irrigation schemes in the Hakataramea Valley in the 2014 irrigation season.

In addition, a new line will be built to Duntroon to meet load growth in the area. This will also take on the existing Duntroon load that is currently supplied from the Oamaru Grid Exit Point. The development will allow load to be shifted off the constrained transmission line to the Oamaru GXP. The work is expected to be completed by the 2015 irrigation season.

Smart Metering

Network Waitaki is a meter owner and is looking long-term at the ability of smart metering to improve service to consumers and as such has continued with its membership of SmartCo.

Network Waitaki's CEO is a Director of SmartCo and has filled the position of Chairman for the 2013/14 year.

Distributed Generation

There continue to be enhancements in the availability of various forms of distributed generation. Whilst Network Waitaki works with parties interested in installing distributed generation, to date this has not been a significant development in the Network Waitaki area.

Contracting

Network Waitaki Contracting Limited ("Contracting") has had a very busy year providing line construction and maintenance services to the network, local electricity consumers and other external parties. The business has grown with the employment of an Electrical Inspector and four apprentice line mechanics.

Contracting has a very pleasing health and safety record. The Business reached 885 days without a Lost Time Incident (LTI), however, an incident occurred mid-year which resulted in the business showing 217 days at the end of the financial year.

The expertise and professionalism of field staff is sought across the industry. The Contracting business was able to work with other networks this year to assist with capital projects as well as in the restoration of power after adverse events.

Assistance received by Network Waitaki this year was provided by Electronet, Greymouth on unplanned work. The Chorus roll-out of fibre within Oamaru resulted in a significant number of Chorus poles being replaced. Network Waitaki shares many of these poles and as a result of the pole replacement programme undertaken by Chorus, Network Waitaki had to shift its lines on to the new poles. This work was undertaken by Electronet.

A lineman team was entered in the ESITO lineman competition for the first time in many years. The competition was held in Christchurch where the team represented the Company creditably.

Health and Safety

The Board, management and staff of Network Waitaki are cohesive in their focus on enhancing and developing a positive safety environment for staff and the public.

Network Waitaki operates in a high-risk industry and is keen to minimise the potential for any future health and safety incidents. Policies, procedures and training of staff have been reviewed and undertaken. This initiative is an ongoing and developing commitment of the company. To assist with this work a Health and Safety Co-ordinator has been employed.
Two great concerns to the Network are the use of generators by consumers in times of outages which has brought with it an increased hazard to linemen working to repair the network, and the number of incidents involving the public.
To raise public awareness of these hazards associated with working or playing in the proximity of electricity reticulation assets, Network Waitaki has employed newspaper and radio safety advertisements, as well as a display at the A&P Show focusing on electricity safety.

ANNUAL REVIEW (CONTINUED)

Summary of Electrical Accidents and Incidents Involving the Public						
Activities	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
Rural Farming	13	9	10	9	17	19
Construction	6	8	8	11	8	13
Trades	3	2	3	1	-	5
Leisure & Sport	-	2	-	-	2	-
Consumer/Residential	17	11	10	6	6	1
Vandalism	1	4	4	2	-	1
Motor Vehicles	14	13	9	13	13	13
Total	**54**	**49**	**44**	**42**	**46**	**52**

Sponsorship

The Group supports a variety of organisations by the giving of grants. This year grants to the value of $77,997 were made. Significant grants included:

North Otago Recreational Turf Trust	**8,000**	**Valley Rugby Football Club Inc**	**2,000**
North Otago Rugby Union	**7,500**	**Summer Camp**	**1,850**
Victorian Town at Work	**5,500**	**Casa Nova Kinderarten**	**1500**
North Otago Sports Bodies Assn.	**4,000**	**North Otago Cricket Assn.**	**1,500**
Sport Otago - Sport Waitaki	**4,000**	**Oamaru Bluelight Ventures Inc**	**1,500**
North Otago Jamboree Committee	**3,000**	**Waitaki Road Safe Inc.**	**1,500**
St Kevin's College	**2,500**	**Oamaru Steam & Rail Society**	**1,127**
Waitaki Boys' High School	**2,500**	**45 South Television Inc**	**1,000**
Waitaki Community Gardens Trust	**2,500**	**Alzheimer's Society Otago Inc**	**1,000**
Waitaki Girls High School	**2,500**	**CCS Disability Action Waitaki Inc**	**1,000**
Literacy North Otago	**2,000**	**North Otago Junior Tennis**	**1,000**
North Otago Art Society	**2,000**	**Oamaru Albion Cricket Club**	**1,000**
North Otago Lawn Tennis Ass Inc	**2,000**	**Oamaru Free Kindergarten Association**	**1,000**
Oamaru Intermediate School	**2,000**	**Scott's Own Sea Scouts**	**1,000**
Otago Community Hospice	**2,000**		

Staff

Employees are an important resource of any organisation. Network Waitaki is fortunate to have a team of dedicated, long-serving and loyal employees who make a positive contribution to the successful operation of the Company. Training and up-skilling are important aspect of the Company’s operation.

In addition, with a number of longer serving employees, it is always important to have a succession plan in place, so we have employed several additional employees in both the contracting and network business. The demands of compliance and regulatory reporting have necessitated increased investment in staff to meet the requirements placed on the Company by regulators.

University Scholarship

The university scholarship programme continues with another scholarship being awarded bringing the number of scholarship recipients to three. This year Thomas Galbraith was the worthy recipient.

ANNUAL REVIEW (CONTINUED)

Board

At the 2013 Annual General Meeting David Sinclair retired from the board after 10 years as a director. The Board is most grateful to David for his service to the consumers of the Network Waitaki area.

Christopher Dennison was welcomed to the Board filling the vacancy resulting from David Sinclair's retirement. The Board welcomes Chris and his skills from within the primary industry business and infrastructure.

The Network Waitaki Board has worked cohesively to govern the Company as it works to deliver on its objectives and provide the level of service desired by its consumers. Directors have welcomed comments from the shareholders, the Waitaki Power Trust, and the Chairman and Chief Executive always support each opportunity to formally meet with Trustees to apprise them of activities of the Network Waitaki Group.

Looking Forward

The Board and Management look forward to the challenge associated with securing the new sub- transmission supply to meet the growing demand for energy in the greater Waitaki area. The Company believes that proactively investing in demand growth, especially in the rural hinterland, positively benefits all consumers in the area serviced by the Company.

Clare Kearney
Chairman

Graham Clark
Chief Executive

SENIOR MANAGEMENT

Graham Clark

Chief Executive 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.

Stephen Murphy

ITT Manager, BCom (Inf Sci), DipGrad (Inf Sci), MusB, MIITP, ITCP

Stephen has over 15 years prior IT experience in a variety of technical roles and is responsible for the operation and management of the company's information and communication assets.

Derek McGee

Manager of Network Waitaki Contracting Limited NZCE (Electrical) LREA

Derek has over 37 years of experience in the construction and management of electrical sub-transmission and distribution systems.

DIRECTORS' REPORT

Back row: Derek Atkinson, Tony Wood and David Ruddenklau.

Seated: Chris Dennison, Clare Kearney (chairman) and John Walker

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 Deputy Chair of Sport Otago, a Trustee of Waitaki Community Gardens, a Trustee of KP & CM Kearney Family Trust, a shareholder in Veterinary Centre Limited and Chairman of Network Waitaki Contracting Limited.

Derek Atkinson

Derek has been a Director since June 2011. He is a Director of Network Waitaki Contracting Limited.

John Walker

John has been a Director since June 2005. He is Chairman of Whitestone Contracting Limited, a Director/Shareholder of Mighty Mix Dog Food Limited, and a Director of Network Waitaki Contracting Limited.

Chris Dennison

Chris has been a Director since June 2013. He is a Director of Network Waitaki Contracting Limited, Deputy Chair of Ravensdown Fertiliser Co-op Limited, Chairman of Lower Waitaki Irrigation Company, a Director of Dennison Farms Limited and a Director of the Waitaki Irrigators Collective.

David Ruddenklau

David joined the board in July 2011. He 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: National Chairman of NZ Perendale Society Progeny Trials; Facilitator of Maerewhenua Irrigation Restructuring and a Director of Network Waitaki Contracting Limited

Tony Wood

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

David Sinclair (retired)

David was a Director of Network Waitaki Limited and Network Waitaki Contracting Limited from June 2003 until his retirement in June 2013. He is a Director and Shareholder of Willsher Investments Limited and Intersouthern Holdings Limited and subsidiaries.

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 $21,825,234 (2013 $19,304,532) for the year.
Operating Profit before Taxation is $3,858,693 (2013 $3,344,583).

PARENT
The Operating Revenue (before customer discount) was $18,807,478 for the year, (2013 $17,626,689).
Operating Profit before Taxation is $3,512,703 (2013 $3,393,108).

SHARE CAPITAL
Total issued and paid up capital as at 31 March 2014 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
No dividend was declared for the 2014 year, (2013 NIL)

DISCOUNT
A discount (excluding GST) of $1,676,203 has been paid to Customers (2013 $2,023,638).

DONATIONS
Network Waitaki Limited made donations totaling $77,997 in the year (2013 $76,590).
The Group made donations totaling $77,997 in the year (2013 $76,835).

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, regulatory compliance, health and safety, 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)

REMUNERATION OF DIRECTORS

Shareholders authorised total Directors' remuneration of $178,500 for activities undertaken by Directors on behalf of the company.

	Total Directors' fees paid $
Mrs. C.M. Kearney	42,250
Mr. D Atkinson	27,250
Mr. D.A. Ruddenklau	27,250
Mr. C.J. Dennison	20,625
Mr. J.D. Walker	27,250
Mr. D.N. Sinclair	6,625
Mr. A. J. Wood	27,250
Total Directors' fees	**178,500**

EMPLOYEE REMUNERATION

The Companies Act 1993 requires the number of employees receiving remuneration greater than $100,000 to be disclosed. Four employees within the Network Waitaki Group received remuneration in the range of $100,000 to $110,000, two employees 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 $210,000 to $220,000.

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 willful breach of duty or an improper use of inside information or position to gain advantage.

EVENTS SUBSEQUENT TO BALANCE DATE

The Directors are not aware of any 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 Mark Bramley using the staff and resources of PricewaterhouseCoopers. The auditor's fee for 2012/13 was $50,742 for Network Waitaki Limited. The Group's audit fee for 2013/14 was $46,363.

Clare Kearney

Chairman

Tony Wood

Director

GROUP TREND STATEMENT

	2014	2013	2012	2011	2010	2009
	$'000	$'000	$'000	$'000	$'000	$'000
FINANCIAL PERFORMANCE						
Operating Revenue	21,825	19,305	16,322	16,382	16,062	14,635
Operating Surplus before Tax and before Associated Earnings	3,859	3,344	1,860	2,408	2,970	3,197
Associate Company Earnings	0	0	0	0	0	(113)
Operating Profit before Tax	3,859	3,344	1,860	2,408	2,970	3,084
Taxation	(1,163)	(955)	(261)	(1,052)	(382)	(389)
Net Surplus	2,696	2,389	1,599	1,356	2,588	2,695
Shareholders' Distributions	0	0	0	0	1,250	100
Customer Discounts	1,676	2,023	1,873	2,367	2,164	2,006
FINANCIAL POSITION						
Current Assets	12,416	11,119	8,387	8,379	10,838	11,075
Non-Current Assets	74,039	72,246	71,150	71,049	65,656	62,194
Total Assets	86,455	83,365	79,537	79,428	76,494	73,269
Liabilities	14,940	14,546	13,108	14,887	13,309	11,423
Net Assets	71,515	68,819	66,429	64,541	63,185	61,846
Share Capital	14,571	14,571	14,571	14,571	14,571	14,571
Reserves	0	0	0	0	0	0
Retained Earnings	56,944	54,248	51,858	49,970	48,614	47,275
Equity	71,515	68,819	66,429	64,541	63,185	61,846
FINANCIAL RATIOS						
Accounting Return on Total Assets						
Before Discount	5.06%	5.29%	4.37%	4.69%%	5.36%	5.59%
After Discount	3.12%	2.87%	2.01%	1.71%	3.38%	3.68%
Accounting Return on Equity						
Before Discount	6.11%	6.44%	5.25%	5.77%	6.49%	6.63%
After Discount	3.77%	3.49%	2.42%	2.10%	4.10%	4.36%
NPAT to Shareholders Funds	3.77%	3.49%	2.42%	2.10%	4.10%	4.36%
Current Ratio	4.60	3.86	4.47	2.53	4.63	6.46
NPAT Earnings Per Share in Cents						
Before Discount	31.23	31.52	24.80	26.60	29.31	29.28
After Discount	19.26	17.07	11.42	9.69	18.49	19.25
Net Assets Per Share	$5.11	$4.89	$4.74	$4.61	$4.51	$4.42
STATISTICS						
SAIDI (normalized)	79.62	54.73	50.85	61.33	64.28	59.29
SAIFI (normalized)	1.28	1.41	0.65	0.79	0.90	0.75
CAIDI	62.31	38.80	78.23	77.63	71.42	79.05
Direct Line Cost per km of line	$1,710	$1,421	$1,483	$1,168	$1,333	$1,155
Indirect Line Cost per Consumer	$92	$83	$81	$64	$69	$68

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 2014 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 2014.

The Board of Directors of Network Waitaki Limited authorises these Financial Statements for issue on 13 June 2014.

For and on behalf of the Board of Directors

Clare Kearney
Chairman

Tony Wood
Director

STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 31 March 2014

	Notes	Group 2014 $	Group 2013 $	Parent 2014 $	Parent 2013 $
Operating Revenue	2	21,825,234	19,304,532	18,807,478	17,626,689
Less					
Customer Discount		(1,676,203)	(2,023,638)	(1,676,203)	(2,023,638)
Operating Revenue after Customer Discount		20,149,031	17,280,894	17,131,275	15,603,051
Less					
Operating Expenses	3	(6,105,634)	(4,564,385)	(3,879,495)	(3,260,722)
Transmission Costs		(4,725,369)	(4,079,882)	(4,725,369)	(4,079,882)
Employee Costs		(2,059,582)	(1,781,806)	(1,762,964)	(1,512,087)
Depreciation, Amortisation and Impairment	4	(3,399,753)	(3,510,239)	(3,250,744)	(3,357,252)
Operating Profit Before Tax		3,858,693	3,344,583	3,512,703	3,393,108
Taxation	5	(1,162,648)	(954,738)	(949,984)	(873,098)
Net Profit for the Year		2,696,045	2,389,845	2,562,719	2,520,010
Total Comprehensive Income		2,696,045	2,389,845	2,562,719	2,520,010

STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 March 2014

GROUP

		Share Capital $	Retained Earnings $	Total Equity $
Balance at 1 April 2012 - as previously reported		14,571,119	51,568,951	66,140,070
Balance at 1 April 2012 – as restated	5	14,571,119	51,857,547	66,428,666
Profit for the year, being total comprehensive income		-	2,389,845	2,389,845
Balance at 31 March 2013		14,571,119	54,247,392	68,818,511
Balance at 1 April 2013		14,571,119	54,247,392	68,818,511
Profit for the year, being total comprehensive income		-	2,696,045	2,696,045
Balance at 31 March 2014		14,571,119	56,943,437	71,514,556

PARENT

		Share Capital $	Retained Earnings $	Total Equity $
Balance at 1 April 2012 - as previously reported		14,571,119	51,293,717	65,864,836
Balance at 1 April 2012 – as restated	5	14,571,119	51,582,182	66,153,301
Profit for the year, being total comprehensive income		-	2,520,010	2,520,010
Balance at 31 March 2013		14,571,119	54,102,192	68,673,311
Balance at 1 April 2013		14,571,119	54,102,192	68,673,311
Profit for the year, being total comprehensive income		-	2,562,719	2,562,719
Balance at 31 March 2014		14,571,119	56,664,911	71,236,030

STATEMENTS OF FINANCIAL POSITION

for the year ended 31 March 2014

	Notes	Group 2014 $	Group 2013 $	Group As at 1 April 2012 $	Parent 2014 $	Parent 2013 $	Parent As at 1 April 2012 $
ASSETS							
CURRENT ASSETS							
Cash and Cash Equivalents		825,465	1,071,666	1,436,042	700,218	537,570	617,435
Current Investments		9,390,324	7,843,076	5,670,000	8,740,324	7,843,076	5,670,000
Trade and Other Receivables	6	1,637,981	1,573,123	754,134	1,638,435	1,338,043	718,187
Inventories	10	402,568	468,248	342,301	0	0	0
Work in Progress		23,323	35,093	50,584	0	0	0
Loan to Subsidiary	7	0	0	0	0	100,000	373,074
Deferred Tax	5	136,364	127,609	133,942	46,280	42,905	40,503
		12,416,025	11,118,739	8,387,004	11,125,257	9,861,594	7,419,199
TOTAL CURRENT ASSETS							
NON-CURRENT ASSETS							
Investments in Subsidiary	7	0	0	0	1,000,000	1,000,000	1,000,000
Property, Plant and Equipment	8	73,037,102	71,219,313	70,266,459	72,913,284	71,174,909	69,760,905
Intangible Assets	9	349,443	602,193	611,368	325,622	600,777	609,956
Inventories	10	652,204	424,710	271,873	652,204	424,710	271,873
TOTAL NON-CURRENT ASSETS		74,038,749	72,246,216	71,149,700	74,891,111	73,200,396	71,642,734
TOTAL ASSETS		86,454,774	83,364,955	79,536,704	86,016,368	83,061,990	79,061,933
LIABILITIES							
CURRENT LIABILITIES							
Trade and Other Payables	11	2,218,301	2,193,967	1,340,514	2,428,704	2,128,482	1,328,273
Employee Entitlements	12	486,777	415,618	459,677	167,449	124,934	133,901
Taxation Payable		(6,196)	272,835	78,166	(40,709)	326,874	136,045
TOTAL CURRENT LIABILITIES		2,698,882	2,882,420	1,878,357	2,555,444	2,580,290	1,598,219
NON-CURRENT LIABILITIES							
Loan from Waitaki Power Trust	16	1,150,000	1,150,000	1,150,000	1,150,000	1,150,000	1,150,000
Deferred Tax	5	11,091,336	10,514,024	10,079,681	11,074,894	10,553,073	10,160,127
TOTAL NON-CURRENT LIABILITIES		12,241,336	11,664,024	11,229,681	12,224,894	11,703,073	11,310,127
TOTAL LIABILITIES		14,940,218	14,546,444	13,108,038	14,780,338	14,283,363	12,908,346
EQUITY							
Share Capital	13	14,571,119	14,571,119	14,571,119	14,571,119	14,571,119	14,571,119
Retained Earnings	14	56,943,437	54,247,392	51,857,547	56,664,911	54,207,508	51,582,468
TOTAL SHAREHOLDERS' EQUITY		71,514,556	68,818,511	66,428,666	71,236,030	68,778,627	66,153,587
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		86,454,774	83,364,955	79,536,704	86,016,368	83,061,990	79,061,933

STATEMENTS OF CASH FLOWS

or the year ended 31 March 2013

	Notes	Group 2014 $	Group 2013 $	Parent 2014 $	Parent 2013 $
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash was Provided from:					
Receipts from Customers		20,084,173	16,120,423	16,830,811	14,484,305
Interest Received		399,455	328,745	382,754	321,153
		20,483,628	16,449,168	17,213,565	14,805,458
Cash was Disbursed to:					
Payments to Suppliers and Employees		(13,110,087)	(9,579,384)	(10,422,211)	(8,110,285)
Income Tax Paid		(873,121)	(360,000)	(799,121)	(291,727)
Net GST Paid		5,767	21,832	(10,447)	12,737
		(13,977,441)	(9,917,552)	(11,231,779)	(8,389,275)
NET CASH FROM OPERATING ACTIVITIES	15	6,506,187	6,531,616	5,981,786	6,416,183
CASH FLOWS FROM INVESTING ACTIVITIES					
Cash was Provided from:					
Proceeds of Sale of Assets		-	36,162	-	-
		-	36,162	-	-
Cash was Applied to:					
Purchase of Property, Plant and Equipment and Intangible Assets		(5.205,145)	(4,759,078)	(5,186,891)	(4,926,046)
		(5,205,145)	(4,759,078)	(5,186,891)	(4,926,046)
NET CASH FROM INVESTING ACTIVITIES		(5,205,145)	(4,722,916)	(5,186,891)	(4,926,046)
CASH FLOWS FROM FINANCING ACTIVITIES					
Cash was Provided from:					
Repayment of Loan		-	-	100,000	273,074
Dividend from Network Waitaki Contracting Ltd		-	-	165,000	330,000
		-	-	265,000	603,074
NET CASH FROM FINANCING ACTIVITIES		-	-	265,000	603,074
NET INCREASE/(DECREASE) IN CASH HELD		1,301,042	1,808,700	1,059,895	2,093,211
Cash and Cash Equivalents at Beginning of the Year		8,914,742	7,106,042	8,380,646	6,287,435
CASH, CASH EQUIVALENTS AND DEPOSITS ON CALL AT END OF THE YEAR		10,215,784	8,914,742	9,440,541	8,380,646

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 13 June 2014. The entity's owners do not have the power to amend the financial statements after its issue.

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

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

Capital Contributions are amortised over 10 years.

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

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

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

Depreciation of Property, Plant and Equipment (continued)
The following depreciation rates have been used:

Item	Depreciation rate
Contracting Equipment	6.0% to 30.0%
Distribution System	1.4% to 10.0%
Fibre Network	7.0%
Freehold Buildings	1.25% to 2.5%
Motor Vehicles	13.5% to 26.0%
Plant and Equipment	5.0% to 80.0%
Office Furniture and Equipment	8.0% to 40.0%

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	24% to 48%

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. Purchases and sales of financial assets are accounted for at trade date.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The 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 Poor's rating of BBB for long-term investments and A-2 for short-term investment, or financial institutions that provide well-supported first ranking security, are acceptable. Investments with banks and financial institutions are limited to a term of no more than 24 months and no more than $3 million or 25% of current investments, whichever is the greater, in any one institution. Credit risk associated with trade receivables is limited through electricity retailer invoicing for line and metering charges rather than individual consumer invoicing for line and metering charges. Credit risk is also limited in trade receivables by the requirement of a minimum of 50% deposit of the total cost of new connections before work is started.

Liquidity risk

Cash flow forecasting is performed in the operating entities of the 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 INTEPRETATION NOT YET ADOPTED

The following new standards, interpretations and amendments may have an impact on the Group's financial statements, but are not yet effective for the year ended 31 March 2014, and have not been applied in these financial statements:

New standards first applied in the period

The group has adopted External Reporting Board Standard A1 Accounting Standards Framework (For-profit Entities Update) (XRB A1). XRB A1 establishes a for-profit tier structure and outlines which suite of accounting standards entities in different tiers must follow. The Group is a Tier 1 entity. There was no impact on the current or prior year financial statements.

Amendment to IAS 1 Financial statement presentation

The main change resulting from these amendments is a requirement for entities to group items presented in 'Other Comprehensive Income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The group has not generated any other items of OCI therefore the requirements have not impacted the disclosures in the accounts.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

NEW STANDARDS AND INTEPRETATION NOT YET ADOPTED (CONTINUED)

NZ IFRS 9 Financial Instruments

NZ IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. NZ IFRS 9 was issued in November 2009, December 2010 and December 2013. It replaces the parts of NZ IAS 39 that relate to the classification and measurement of financial instruments and hedge accounting. NZ IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the NZ IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The new hedge accounting model more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risks. The Group is yet to assess NZ IFRS 9's full impact. The Group will also consider the impact of the remaining phases of NZ IFRS 9 when completed by the IASB.

IFRS 13 Fair value measurement

IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. The Group does not use fair value measurements extensively therefore they have had no impact on the financial statements.

IFRS 15 Revenue from contracts with customers, (effective for annual periods beginning on or after 1 January 2017)

IFRS 15 addresses recognition of revenue from contracts with customers. It replaces the current revenue recognition guidance in IAS 18 *Revenue* and IAS 11 *Construction contracts* and is applicable to all entities with revenue. It sets out a 5 step model for revenue recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Group has yet to assess IFRS 15's full impact. The Group will apply this standard from 1 April 2017.

Amendments to NZ IAS 32 Financial Instruments: Presentation (effective 1 January 2014)

This amendment is to the application guidance in NZ IAS 32, 'Financial Instruments: Presentation'. It seeks to clarify the requirements for offsetting financial assets and liabilities on the balance sheet. The Group is yet to assess NZ IAS 32's full impact. The Group intends to adopt this amendment when it is effective which will mean that it is first applied in the period ending 31 March 2015.

Amendments to NZ IAS 36 Impairment of Assets (effective 1 January 2014)

This amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs to sell. The Group is yet to assess NZ IAS 36's full impact. The group intends to adopt this amendment when it is effective which will mean that it is first applied in the period ending 31 March 2015.

	Group		Parent	
	2014	2013	2014	2013
	$	$	$	$
2 OPERATING REVENUE				
Operating Revenue Comprises:				
Network	14,910,331	14,449,569	14,910,331	14,449,569
Capital Contributions	1,459,782	1,127,125	1,459,782	1,127,125
Metering	966,038	923,786	966,038	923,786
Interest	399,454	328,745	382,754	321,153
Bad Debts Recovered	2,089	1,787	2,089	1,787
Dividend Received	-	-	165,000	165,000
Rent	9,333	12,807	76,246	75,074
Contracting Revenue	3,261,303	1,920,426	-	-
Other	816,904	540,287	845,238	563,195
	21,825,234	19,304,532	18,807,478	17,626,689
3 OPERATING EXPENSES				
Operating Expenses Comprise:				
Operating Costs	5,399,879	4,110,770	3,197,577	2,835,090
Directors' Fees	178,500	174,000	178,500	174,000
Assets Scrapped	367,733	116,162	367,609	116,162
Donations	77,997	76,835	77,997	76,590
Audit Fees	46,363	50,742	35,950	36,304
Other Regulatory Audits - PWC	13,943	13,134	13,943	13,134
Other Regulatory Audits – Other	6,080	8,902	6,080	8,902
Rent	13,300	13,300	-	-
Bad Debts Written Off	1,839	540	1,839	540
	6,105,634	4,564,385	3,879,495	3,260,722
4 DEPRECIATION, AMORTISATION AND IMPAIRMENT				
Depreciation, Amortisation and Impairment Comprises:				
Buildings	66,164	-	66,165	-
Contracting Equipment	252,388	226,262	-	-
Network Reticulation System	2,247,954	2,544,088	2,399,124	2,665,073
Meters and Relays	362,245	305,688	362,245	305,688
Plant and Equipment	154,978	146,890	109,454	100,700
Fibre Network	182,308	182,308	182,308	182,308
Intangibles	133,715	105,003	131,448	103,483
	3,399,753	3,510,239	3,250,744	3,357,252

5 TAXATION

	Group 2014 $	Group 2013 $	Parent 2014 $	Parent 2013 $
Tax Expense for Period Made up of				
Income Tax Expense	594,090	514,062	431,538	482,554
Deferred Taxation Expense	568,559	440,676	518,446	390,544
	1,162,649	**954,738**	**949,984**	**873,098**
Operating Surplus Before Income Tax	3,858,693	3,344,583	3,512,703	3,393,108
Prima Facie Taxation @ 28 cents	1,080,434	936,483	983,557	950,070
Movement in Income Tax Due to:-				
Non Deferred Tax Differences				
Non Assessable Income	57,939	(143,559)	(46,200)	(237,500)
Non Deductible Expenses	7,086	4,371	5,817	3,085
Prior Period Adjustment	17,190	157,443	6,810	157,443
	82,215	**18,255**	**(33,573)**	**(76,972)**
Tax Expense	**1,162,649**	**954,738**	**949,984**	**873,098**
Deferred Tax Movements				
Capital Contributions	(318,812)	(266,542)	(318,812)	(266,542)
Depreciation	(23,846)	(10,358)	21,936	31,039
Prior Period Adjustment	(17,190)	(157,443)	(6,810)	(157,443)
Tax Return to Provision True up – Depreciation	(224,945)		(224,495)	-
Other	16,236	(6,333)	10,185	2,402
	(568,557)	**(440,676)**	**(517,996)**	**(390,544)**
Income Tax Expense	**594,090**	**514,062**	**431,538**	**482,554**

	Group 2014 $	Group 2013 $	Parent 2014 $	Parent 2013 $
Imputation Credit Account				
Opening Balance	6,534,531	6,062,709	4,773,947	5,895,709
Prior Period Adjustment	-	108,689	-	(1,118,709)
Income Tax Payments During the Year	873,121	360,000	-	-
Income Tax Refunds Received During the Year	-	(3,053)	-	-
Imputation Credit Received	-	0	-	-
Other Credits	-	6,879	-	(3,053)
Imputation Credit Allocated to Dividends in the Year	-	-	-	-
Closing Balance	**7,407,652**	**6,534,531**	**4,773,947**	**4,773,947**

5 TAXATION (CONTINUED)

	Depreciation $	Other $	Total $
GROUP DEFERRED TAX LIABILITY/(ASSET)			
Opening Balance as at 1 April 2012	10,079,680	(133,942)	9,945,738
Change in the Year	10,358	430,318	440,676
Closing Balance as at 31 March 2013	10,090,038	296,376	10,386,414
Opening Balance as at 1 April 2013	10,090,038	296,376	10,386,414
Change in the Year	258,500	310,058	568,558
Closing Balance as at 31 March 2014	**10,348,538**	**606,434**	**10,954,972**
Group Current and Non-Current Deferred tax Liability/(Asset)			
2013			
Current Deferred Tax	-	(127,609)	(127,609)
Non-Current Deferred Tax	10,090,038	423,985	10,514,023
Total Deferred tax	**10,090,038**	**296,376**	**10,386,414**
2014			
Current Deferred Tax	-	(136,364)	(136,364)
Non-Current Deferred Tax	10,348,538	742,798	11,091,336
Total Deferred Tax	**10,348,538**	**606,434**	**10,954,972**
PARENT DEFERRED TAX LIABILITY/(ASSET)			
Opening Balance as at 1 April 2012	10,160,127	(40,503)	10,119,624
Change in the Year	(31,039)	421,583	390,544
Closing Balance as at 31 March 2013	**10,129,088**	**381,080**	**10,510,168**
Opening Balance as at 1 April 2013	10,129,088	381,080	10,510,168
Change in the Year	203,009	315,437	518,446
Closing Balance as at 31 March 2014	**10,332,097**	**696,517**	**11,028,614**
Current and Non-Current Deferred tax Liability/(Asset)			
2013			
Current Deferred Tax	-	(42,905)	(42,905)
Non-Current Deferred Tax	10,129,088	423,985	10,553,073
Total Deferred tax	**10,129,088**	**381,080**	**10,510,168**
2014			
Current Deferred Tax	-	(46,280)	(46,280)
Non-Current Deferred Tax	10,332,097	742,797	11,074,894
Total Deferred Tax	**10,332,097**	**696,517**	**11,028,614**

5 TAXATION (CONTINUED)

Deferred Tax Restatement

As a result of the change in New Zealand Tax Law in 2011, buildings became non-depreciable for tax purposes. Due to inherent limitations in the previous fixed asset systems, the Group was unable to identify a number of buildings in the tax fixed asset register that required depreciation to be ceased and continued to depreciate these assets. As a result of implementing the new fixed asset register, it has been determined that the deferred tax liability of the company at year end 31 March 2011 was overstated by $288,751 and the tax charge within the Statement of Comprehensive Income was overstated by the corresponding amount. The 2013 accounts have therefore been restated to reduce the deferred tax liability by the $288,751 and the opening position for both retained earnings and deferred tax at 1 April 2012 have been subsequently restated. The impact on retained earnings and the deferred tax liability at 31 March 2013 is to reduce the deferred tax liability by $288,751 and increase retained earnings by $288,751. There is no material impact on the Statement of Comprehensive Income for the year ended 31 March 2013. The $288,751 adjustment is calculated based on the impact at 31 March 2014. Any movement between 1 April 2011 and the period end date has been analysed and is considered to be immaterial therefore has not been included.

	Group		Parent	
	2014	2013	2014	2013
	$	$	$	$
6 TRADE AND OTHER RECEIVABLES				
The Balance Comprises:				
Trade Receivables	1,360,619	1,201,389	1,307,958	982,884
Trade Receivable from Subsidiaries	0	0	24,286	26,709
Total Receivables	1,360,619	1,201,389	1,332,244	1,009,593
Other Receivables	94,577	100,235	94,577	100,235
Prepayments	130,322	142,987	72,655	99,703
GST	52,463	128,512	138,959	128,512
Balance at End of Year	1,637,981	1,573,123	1,638,435	1,338,043
Trade and Other Receivables less than 90 days old	1,591,267	1,549,620	1,594,772	1,321,811
Trade and Other Receivables greater than 90 days old	46,714	23,503	43,663	16,232
Trade and Other Receivables greater than 90 days old and impaired	-	-	-	-
	1,637,981	1,573,123	1,638,435	1,338,043

No Trade and Other Receivables were impaired in 2013 or 2014.

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

7 SUBSIDIARIES (CONTINUED)

Network Waitaki Investment in Network Waitaki Contracting Limited

	Shares at cost	Loan	Total Investment in subsidiary at cost
	$	$	$
Opening Balance as at 1 April 2012	1,000,000	373,074	1,373,074
Movement	-	(273,074)	(273,074)
Closing Balance as at 31 March 2013	**1,000,000**	**100,000**	**1,100,000**
Opening Balance as at 1 April 2013	1,000,000	100,000	1,100,000
Movement	0	(100,000)	(100,000)
Closing Balance as at 31 March 2014	**1,000,000**	**-**	**1,000,000**

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 2012	204,180	1,113,104	79,696,090	2,808,847	69,461	2,604,400	1,739,014	1,381,761	89,616,857
Additions	-	-	4,306,877	48,377	44,484	-	335,093	78,079	4,812,910
Disposals	-	-	(487,815)	-	-	-	(68,089)	(61,579)	(617,483)
At 31 March 2013	204,180	1,113,104	83,515,152	2,857,224	113,945	2,604,400	2,006,018	1,398,261	93,812,284
Additions	202,500	547,500	2,140,902	21,403	22,234	-	540,051	174,796	3,649,387
Disposals	-	-	(378,129)	(161,728)	-	-	(73,312)	(2,930)	(616,099)
At 31 March 2014	406,680	1,660,604	85,277,925	2,716,899	136,179	2,604,400	2,472,757	1,570,127	96,845,572
Accumulated Depreciation and Impairment									
At 1 April 2012	-	275,587	15,688,371	1,452,240	-	272,674	513,510	578,633	18,781,015
Charge for Year	-	0	2,544,088	305,688	-	182,308	226,262	146,890	3,405,236
Disposals	-	0	(395,102)	-	-	-	(64,583)	(53,650)	(513,335)
At 31 March 2013	-	275,587	17,837,357	1,757,928	0	454,982	675,189	671,873	21,672,916
Charge for Year	-	66,165	2,247,955	362,245	-	182,308	252,388	154,978	3,266,038
Disposals	-	-	(165,128)	(161,721)	-	-	(73,312)	(2,806)	(402,967)
At 31 March 2014	-	341,752	19,920,183	1,958,452	-	637,290	854,265	824,045	24,535,987
Net Book Values									
At 31 March 2013	204,180	837,517	65,677,795	1,099,296	113,945	2,149,418	1,330,829	726,388	72,139,368
Work in Progress	-	-	364,546	-	3,808	-	-	-	368,354
	204,180	837,517	66,042,341	1,099,296	117,753	2,149,418	1,330,829	726,388	72,507,722
At 31 March 2014	406,680	1,318,852	65,357,742	758,447	136,179	1,967,110	1,618,492	746,082	72,309,587
Work in Progress	-	-	724,406	-	2,162	-	-	948	727,515
	406,680	1,318,852	66,082,148	758,447	138,341	1,967,110	1,618,492	747,030	73,037,102

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 2012	204,180	1,113,104	80,557,396	2,808,847	2,604,400	69,461	1,176,417	88,553,805
Additions	-	-	4,886,826	48,377	-	44,484	48,834	5,028,521
Disposals	-	-	(219,108)	-	-	-	(52,125)	(271,233)
At 31 March 2013	204,180	1,113,104	85,245,113	2,857,224	2,604,400	113,945	1,173,126	93,311,092
Additions	202,500	547,500	3,803,769	21,403	-	22,234	114,109	4,711,515
Disposals	-	-	(378,129)	(161,728)	-	-	(15,255)	(555,112)
At 31 March 2014	406,680	1,660,604	86,670,753	2,716,899	2,604,400	136,179	1,271,980	97,467,495
Accumulated Depreciation and Impairment								
At 1 April 2012	-	275,587	17,155,095	1,452,240	272,674	-	550,468	19,706,064
Charge for Year	-	-	2,350,946	305,688	182,308	-	100,700	2,939,642
Disposals	-	-	(89,044)	-	-	-	(52,125)	(141,169)
At 31 March 2013	-	275,587	19,416,997	1,757,928	454,982	-	599,043	22,504,537
Charge for Year	-	66,164	2,411,927	362,245	182,308	-	109,454	3,132,098
Disposals	-	0	(177,932)	(161,721)	-	-	(15,255)	(354,908)
At 31 March 2014	-	341,751	21,650,991	1,958,452	637,290	-	693,242	25,281,727
Net Book Values								
At 31 March 2013	204,180	837,517	65,828,116	1,099,296	2,149,418	113,945	574,083	70,806,555
Work in Progress	-	-	364,546	-	-	3,808	-	368,354
	204,180	837,517	66,192,662	1,099,296	2,149,418	117,753	574,083	71,174,909
At 31 March 2014	406,680	1,318,852	67,019,761	758,447	1,967,110	136,179	578,738	72,185,768
Work in Progress	-	-	724,406	-	-	2,162	948	727,516
	406,680	1,318,852	67,744,167	758,447	1,967,110	138,341	579,686	72,913,284

No property, plant or equipment has been pledged as security for liabilities.

In 2005 when the company transitioned to NZIFRS, they elected to recognise fixed assets using the fair value as deemed cost option in NZ IFRS 1. Under this option, an entity may elect to measure an item of property, plant and equipment as its fair value at the transition date, and use that fair value as its deemed cost at that date. The previous cost and accumulated depreciation is accordingly replaced with a 'new' cost being the fair value at the transition date.

Upon transition the company revalued its reticulation fixed assets to fair value $45,926,475. This year it was recognised that upon posting this amount.

8 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

in the fixed asset system, instead of recording the fair value of $45,926,475 as one number, the company instead recorded $51,099,798 for cost and $5,173,322 for accumulated depreciation. This posting gave the same NBV as the transition date fair value, and has had no impact on the calculation of depreciation going forward.

There had however been an effect on the gross amounts of PPE and accumulated depreciation in the subsequent note disclosures of fixed assets.

As part of the transfer of fixed assets to a new Fixed Asset System this was noted.
The impact of the correction on the property, plant and equipment note from prior period can be summarized as follows:

	2012	
	Restated	Original
Opening Cost	78,228,714	83,319,492
Closing Cost	80,577,396	85,627,573
Opening Accumulated Depreciation	14,926,579	19,883,591
Closing Accumulated Depreciation	17,155,095	22,011,132
Opening Net Book Value	63,302,135	63,435,901
Closing Net Book Value	63,422,301	63,616,441

9 INTANGIBLE ASSETS

	Group		Parent	
	2014	2013	2014	2013
	$	$	$	$
Purchased Software				
Gross Carrying Amount				
Opening Balance	707,958	451,757	646,468	391,791
Additions	120,266	358,735	94,744	357,211
Disposals	(159,177)	(102,534)	(158,327)	(102,534)
Closing Balance	**669,047**	**707,958**	**582,885**	**646,468**
Accumulated Amortisation and Impairment				
Opening Balance	197,985	195,516	137,911	136,962
Charge for Year	133,715	105,003	131,448	103,483
Disposals	(12,096)	(102,534)	(12,096)	(102,534)
Closing Balance	**319,604**	**197,985**	**257,263**	**137,911**
Net Book Value	349,443	509,973	325,622	508,557
Work in Progress	-	92,220	-	92,220
Carrying Amount	**349,443**	**602,193**	**325,622**	**600,777**

10 INVENTORIES

	Group 2014 $	Group 2013 $	Parent 2014 $	Parent 2013 $
CURRENT ASSET INVENTORIES				
Contracting Inventory				
Opening Balance	468,248	382,301	-	-
Purchases in the Year	1,348,282	1,130,428	-	-
Inventory sold	(1,413,962)	(1,044,481)	-	-
Closing Inventory	402,568	468,248	-	-
NON-CURRENT ASSET INVENTORIES				
Network Inventory				
Opening Balance	419,953	264,787	419,953	264,787
Purchases in the Year	1,080,354	746,573	1,080,354	746,573
Used on the Reticulation System	(852,600)	(591,407)	(852,600)	(591,407)
Closing Inventory	647,707	419,953	647,707	419,953
Metering Inventory				
Opening Balance	4,757	7,086	4,757	7,086
Purchases in the Year	35,078	93,633	35,078	93,633
Transferred to Meters and Relays	(35,338)	(95,962)	(35,338)	(95,962)
Closing Inventory	4,497	4,757	4,497	4,757
Total Non-Current Inventory	652,204	424,710	652,204	424,710

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.

11 TRADE AND OTHER PAYABLES

	Group 2014 $	Group 2013 $	Parent 2014 $	Parent 2013 $
The Balance Comprises:				
Trade Payables	1,339,482	1,590,635	1,058,409	1,276,380
Trade Payable to Subsidiaries	-	-	601,797	350,017
Total Payables	1,339,482	1,590,635	1,660,206	1,626,397
Accruals	826,356	533,050	768,498	502,085
G.S.T. Payable	52,463	70,282	-	-
Balance at End of Year	**2,218,301**	**2,193,967**	**2,428,704**	**2,128,482**

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 2014 $	Group 2013 $	Parent 2014 $	Parent 2013 $
Leave Entitlements	386,478	320,222	167,449	124,934
Other Entitlements	100,298	95,396	-	-
Total	**486,776**	**415,618**	**167,449**	**124,934**

	Group 2014 $	Group 2013 $	Parent 2014 $	Parent 2013 $

13 SHARE CAPITAL

	Group 2014 $	Group 2013 $	Parent 2014 $	Parent 2013 $
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	-	-	-	-
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 2014 year (2013 Nil).

14 RETAINED EARNINGS

	Group 2014 $	Group 2013 $	Parent 2014 $	Parent 2013 $
Balance at Beginning of Year	54,247,392	51,857,547	54,207,508	51,687,498
Net Surplus for Year	2,696,045	2,389,845	2,562,719	2,520.010
Dividend Paid	-	-	-	-
Balance at End of Year	**56,943,437**	**54,247,392**	**56,664,911**	**54,207,508**

15 RECONCILIATION OF NET PROFIT WITH CASHFLOW FROM OPERATING ACTIVITIES

	Group 2014 $	Group 2013 $	Parent 2014 $	Parent 2013 $
Net Profit for the Year	2,696,045	2,389,845	2,562,719	2,520,010
Add/(Less) Non-Cash Items:				
Depreciation and Amortisation	3,399,753	3,510,239	3,250,744	3,357,252
Assets Scrapped	367,733	116,162	367,609	116,162
Share of Associate Profit	-	-	-	-
Dividend from Network Waitaki Contracting	-	-	(165,000)	(330,000)
Deferred Taxation	568,559	440,676	518,446	390,544
	4,336,045	4,067,077	3,971,799	3,533,958
	7,032,090	6,456,922	6,534,518	6,053,968
Add/(less) Movements in Working Capital Items:				
(Increase) / Decrease in Trade and Other Receivables	(64,859)	(818,989)	(300,392)	(619,856)
(Increase) / Decrease in Inventories	65,680	(125,947)	-	-
(Increase) / Decrease in Work in Progress	(343,185)	15,567	(227,494)	-
Increase / (Decrease) in Tax Payable	(279,031)	194,669	(367,583)	190,829
Increase / (Decrease) in Trade and Other Payables	24,334	853,453	300,222	800,209
Increase / (Decrease) in Employee Entitlements	71,158	(44,059)	42,515	(8,967)
	(525,903)	74,694	(552,732)	362,215
Net Cash Flows From Operating Activities:	**6,506,187**	**6,531,616**	**5,981,786**	**6,416,183**

16 LOAN FROM WAITAKI POWER TRUST

	Group 2014 $	Group 2013 $	Parent 2014 $	Parent 2013 $
Opening Balance at 1 April 2013	1,150,000	1,150,000	1,150,000	1,150,000
Amount Drawn Down on 31 March 2014	-	-	-	-
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 2014 (2013 Nil).

PARENT

Network Waitaki Limited has no capital commitments as at 31 March 2014 (2013 Nil).

18 RELATED PARTY TRANSACTIONS

	2014 $	2013 $
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	165,000
Rent and Associated Costs	66,913	62,267
Share of Directors' Fees	49,080	47,634
Interest on Loan	630	19,736
Payments outstanding at balance date		
Trade Payables	25,965	26,709
Dividend	-	-
Loan	100,000	100,000
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	4,919,857	4,424,854
Payments outstanding at balance date		
Trade Payables	601,797	350,017
Payments from Network Waitaki Limited to Whitestone Contracting Limited		
Whitestone Contracting Limited is related to Network Waitaki Limited through its director John Walker who also holds a directorship at Whitestone Contracting Limited. All contracting services between Whitestone Contracting Limited and Network Waitaki Limited are at commercial rates.		
Contracting Services	6,814	3,967
Outstanding Balance at Balance Date		
Trade Payables	2,007	767
Payments from Network Waitaki Limited to Waitaki Power Trust		
Dividend	-	-
Interest	67,850	67,665
Outstanding Balance at Balance Date	-	-

18 RELATED PARTY TRANSACTIONS (CONTINUED)

	2014 $	2013 $
Payments from Waitaki Power Trust to Network Waitaki Limited		
Loan	-	-
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	710,732	748,511
Outstanding Balance at Balance Date	-	-

19 ANALYSES OF FINANCIAL LIABILITIES

GROUP

At 31 March 2013

	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	$2,193,967			

At 31 March 2014

	Less than 1 Year	Between 1 and 2 Years	Between 2 and 5 Years	Over 5 Years
Loan	$68,124	$68,124	$204,000	$1,103,000
Trade and Other Payables	$2,218,301			

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 2013

	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	$2,128,482			

At 31 March 2014

	Less than 1 Year	Between 1 and 2 Years	Between 2 and 5 Years	Over 5 Years
Loan	$68,124	$68,124	$204,000	$1,103,000
Trade and Other Payables	$2,428,704			

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20 OPERATING LEASES

	Group		Parent	
	2014	2013	2014	2013
	$	$	$	$
LESSORS - OPERATING LEASES				
No later than one year	451,015	451,465	515,993	451,465
Later than one year and no later than five years	1,804,060	1,899,830	2,063,972	1,899,830
	2,255,075	2,351,295	2,579,965	2,351,295

Network Waitaki leases out the fibre network it purchased in 2011. Its cost and accumulated depreciation values are shown in Note 8.

LESSEES - OPERATING LEASES

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

	Group 2014 $	Group 2013 $	Parent 2014 $	Parent 2013 $
No later than one year	552,856	585,112	552,856	585,112
Later than one year and no later than five years	1,693,780	2,274,873	1,693,780	2,274,873
	2,246,636	2,859,985	2,246,636	2,859,985

21 CONTINGENT LIABILITIES

GROUP

The Group has no contingent liabilities as at 31 March 2014 (2013 Nil).

PARENT

The Parent has no contingent liabilities as at 31 March 2014 (2013 Nil).

22 SUBSEQUENT EVENTS

There have been no events (2013 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 2014			
	ACTUAL	SCI	VARIANCE
Statement of Comprehensive Income	$	$	$
Operating Revenue	21,825,234	17,643,713	4,181,521
Operating Expenses	(12,822,480)	(9,127,404)	(3,695,076)
Operating Profit	**9,002,754**	**8,516,309**	**486,445**
Less Depreciation	(3,399,753)	(3,611,669)	211,916
Net Profit from Operational Activities	5,603,001	4,904,640	698,361
Other Income	-	-	-
Operating Profit after Other Income	**5,603,001**	**4,904,640**	**698,361**
Less Discount	(1,676,203)	(2,000,000)	323,797
Operating Profit after Discount	**3,926,798**	**2,904,640**	**1,022,158**
Interest Expenses	(68,105)	(68,220)	115
Operating Profit after Interest & before Tax	3,858,693	2,836,420	1,022,273
Taxation	(1,162,648)	(638,194)	(524,454)
Net Profit after Taxation and before Capital Contributions	**2,696,045**	**2,198,226**	**497,819**

Comment

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

GROUP BALANCE SHEET AS AT 31 MARCH 2014			
	ACTUAL	SCI	VARIANCE
	$	$	$
Shareholders' Equity	71,514,556	72,196,938	(682,382)
Current Assets	12,416,206	8,742,033	3,673,994
Current Liabilities	2,698,883	2,713,557	14,674
Working Capital	9,717,143	6,028,476	3,688,667
Non-Current Assets	74,038,749	73,871,662	167,087
Non-Current Liabilities	12,241,336	7,703,200	(4,538,136)
	61,797,413	66,168,462	(4,371,049)
Net Assets	71,514,556	72,196,938	(682,382)

Comment

The current assets balance is higher and the non-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 increase in cash and cash equivalents no longer 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	5.40%	3.93%	1.47%
Net Assets per Share	$5.11	$5.16	($0.05)
NPBT Earnings per Share in cents	27.56 Cents	20.26 Cents	7.30 Cents
Ratio of Shareholders' Funds to Total Assets	82.72%	87.39%	(4.67%)
Network Operating Cost per ICP	$357.78	$312.36	$45.42
Direct Line Cost per Circuit km of Line	$1,709.58	$1,549.51	$160.07

Comment

The lower than planned net assets per share and lower ratio of shareholders' funds to total assets are the results of the capital programme being changed.

PARENT FINANCIAL PERFORMANCE MEASURES

PARENT INCOME STATEMENT FOR YEAR ENDED 31 MARCH 2014	ACTUAL	BUDGET	VARIANCE
Statement of Comprehensive Income	$	$	$
Operating Revenue	16,979,436	16,759,075	220,361
Operating Expenses	(6,511,418)	(6,448,376)	(63,042)
Operating Profit	10,468,018	10,310,699	157,319
Gross Profit Percentage	62%	64%	(2%)
Less Other Expenses	(6,836,044)	(6,524,058)	(311,986)
Net Profit from Operational Activities	3,631,974	3,786,641	(154,667)
Other Income	-	-	-
Operating Profit after Other Income	3,631,974	3,786,641	(154,667)
Less Discount	(1,676,203)	(2,000,000)	323,797
Operating Profit after Discount	1,955,771	1,786,641	169,130
Interest Expenses	(67,850)	(68,220)	370
Operating Profit after Interest Income & before Tax	1,887,921	1,718,421	169,500
Taxation	(949,984)	(522,615)	(427,369)
Net Profit after Taxation and before Capital Contributions	**937,937**	**1,195,806**	**(257,869)**

Capital Contributions	1,459,782	919,820	539,962
Net Profit after capital contributions	2,397,719	2,115,626	282,093
Dividend from Network Waitaki Contracting Limited	165,000	165,000	-
Retained Surplus for the Period	**2,562,719**	**2,280,626**	**282,093**

PERFORMANCE TARGETS (CONTINUED)

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

GROUP NON-FINANCIAL PERFORMANCE MEASURES

	ACTUAL	SCI	VARIANCE
Average Interruption Duration (SAIDI)	79.62	81.07	1.45
Average Interruption Frequency (SAIFI)	1.28	0.90	(0.38)
Customer Average Interruption Duration (CAIDI)	62.31	90.08	27.77

Comment

The lower level of SAIDI is the result of lower unplanned outages and the use of live line techniques. The results were calculated using information from the Company's non-financial systems, which due to manual recording processes have inherent limitations relating to the completeness of interruption data and the accuracy of interconnection point (ICP) numbers included in the SAIDI, SAIFI and CAIDI calculations.

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:	Other websites of interest include:
Network Disclosures	www.comcom.govt.nz (Commerce Commission)
Pricing Methodology	www.egcomplaints.co.nz (Electricity & Gas Complaints Commission)
Tariff	www.ea.govt.nz (Electricity Authority)
Use of System Agreement	www.med.govt.nz (Ministry of Economic Development)
Price Path Threshold	www.transpower.co.nz (Transpower)
Tree Management	www.contactenergy.co.nz (Contact Energy)
Network Assets Management Plan	www.genesisenergy.co.nz (Genesis Energy)
Working Around Overhead Lines	www.meridianenergy.co.nz (Meridian Energy)
Statement of Corporate Intent	www.mightyriverpower.co.nz (Mighty River Power)
	www.trustpower.co.nz (TrustPower)
	www.whatsyournumber.org.nz (Consumer Powerswitch)
	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.

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INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF
NETWORK WAITAKI LIMITED AND GROUP'S
FINANCIAL STATEMENTS AND PERFORMANCE TARGETS
FOR THE YEAR ENDED 31 MARCH 2014

The Auditor-General is the auditor of Network Waitaki Limited (the company) and group. The Auditor-General has appointed me, Mark Bramley, using the staff and resources of PricewaterhouseCoopers, to carry out the audit of the financial statements and 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 39, that comprise the balance sheet as at 31 March 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and

- the performance targets of the company and group on pages 40 to 42.

Unmodified opinion on the financial statements

In our opinion, the financial statements of the company and group on pages 15 to 39:

- 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 2014; and

    - financial performance and cash flows for the year ended on that date;

Disclaimer of opinion on the SAIDI and SAIFI performance measures in the company and group's performance targets

Reason for our disclaimer of opinion

Our audit was limited because we could not confirm the completeness and accuracy of all the SAIDI and SAIFI outage data due to:

- no independent evidence being available to support the completeness and accuracy of the recorded faults used to measure the company and group's achievement against the SAIDI and SAIFI performance targets adopted for the year ended 31 March 2014 and 31 March 2013; and

- limited control over the completeness and accuracy of interconnection point ('ICP') data representing individual customer connections to the network included in the SAIDI and SAIFI calculations throughout the period.

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There are no practical audit procedures to determine the effect of these limitations in independent evidence and controls. As a result we are unable to form an opinion as to whether the amounts and details set out in the SAIDI and SAIFI performance measures, of which the outage and ICP data are integral elements, in the company and group's performance targets for the year ended 31 March 2014 gives a true and fair view of the company and group's achievements.

Disclaimer of opinion

Because of the significance of the matters described in the "reason for our disclaimer of opinion" paragraph above, we are unable to form an opinion as to whether the SAIDI and SAIFI performance measures in the performance targets of the company and group on page 42:

- comply with generally accepted accounting practice in New Zealand; and
- give a true and fair view of the company and group's achievements measured against the SAIDI and SAIFI performance measures adopted for the year ended 31 March 2014.

Unmodified opinion on the other performance measures in the performance targets

In our opinion, the other performance measures (that is the measures other than the SAIDI and SAIFI performance measures) in the company and group's performance targets:

- comply with generally accepted accounting practice in New Zealand; and
- give a true and fair view of the company and group's achievements measured against the performance targets adopted for the year ended 31 March 2014.

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 20 June 2014. 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 performance targets are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' overall understanding of the financial statements and performance targets. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements and performance targets. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and 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 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 performance targets; and
- the overall presentation of the financial statements and performance targets.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and performance targets. Also we did not evaluate the security and controls over the electronic publication of the financial statements and 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 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 service 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 performance targets that are free from material misstatement, whether due to fraud or error. The Board of Directors is also responsible for the publication of the financial statements and performance targets, whether in printed or electronic form.

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

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Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and performance targets 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 External Reporting Board.

In addition to the audit, we have carried out assignments in the areas of compliance with the Electricity Distribution (Information Disclosure) Determination 2012, other regulatory requirements of the Commerce Act 1986, which are compatible with those independence requirements and tax compliance and consulting services. Other than the audit and these assignments, we have no relationship with, or interests in, the Company or any of its subsidiaries.

Mark Bramley

Mark Bramley
PricewaterhouseCoopers
On behalf of the Auditor-General
Dunedin, New Zealand

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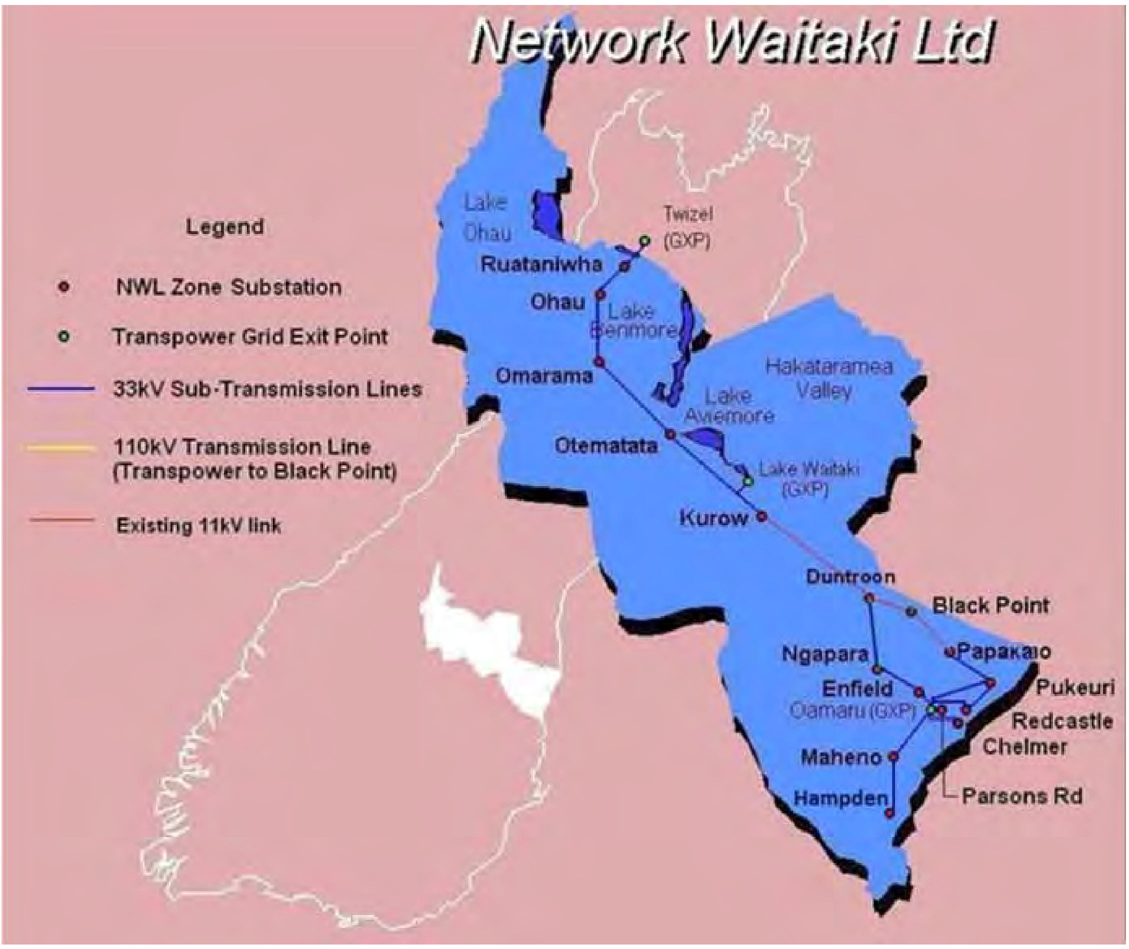

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