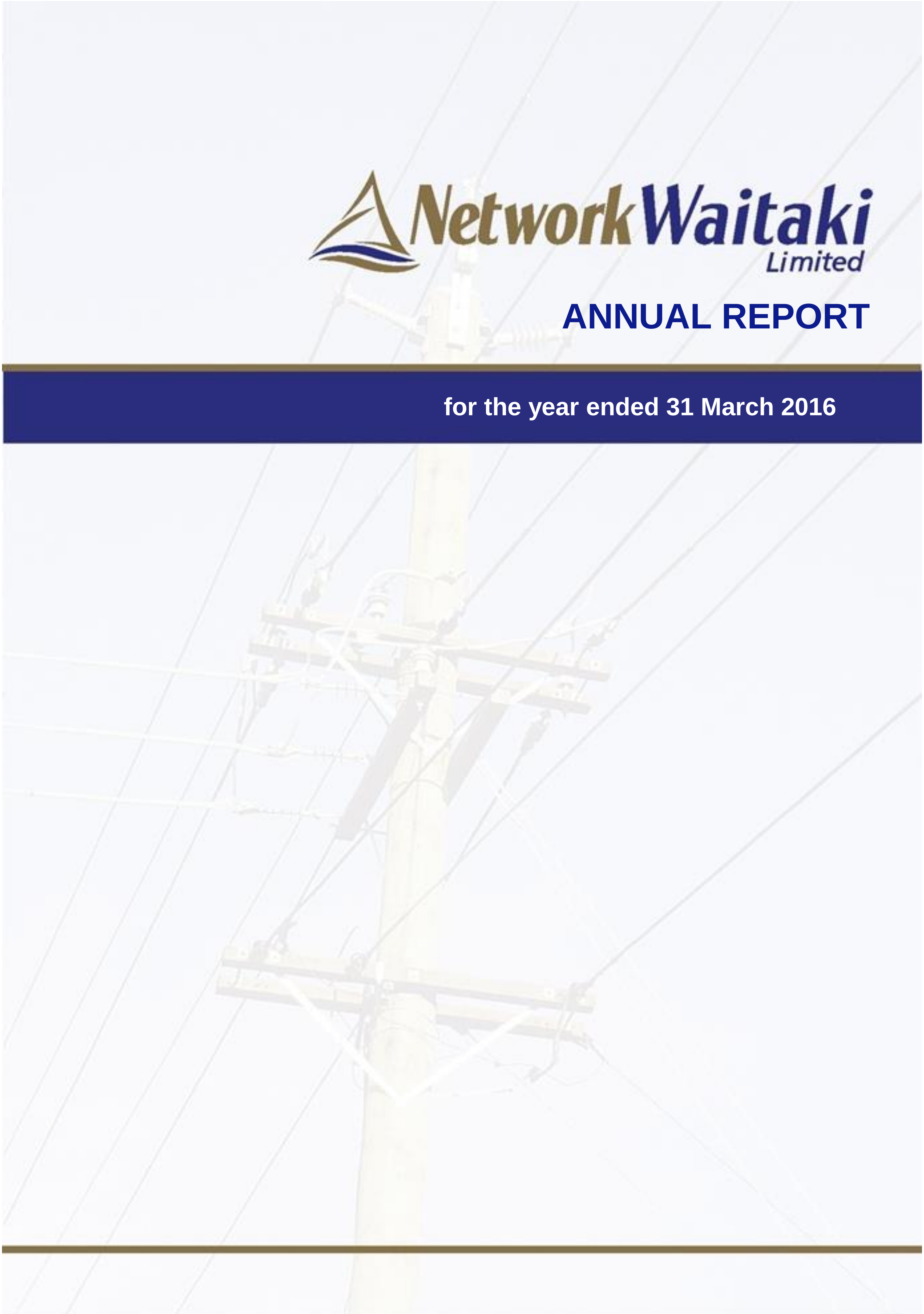


Network Waitaki Limited

ANNUAL REPORT

for the year ended 31 March 2016

CONTENTS

FINANCIAL STATEMENTS

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

Mr. A.J. Brady

Mr. D. E. Norman

Mr. H.J. Tonkin

Mr. J. Webster (Chairman)

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

Message from Chairman and Chief Executive

Welcome to the 2016 Network Waitaki Annual Report. We appreciate the opportunity to share company performance over the past year and the outlook for the year ahead.

Network Waitaki has concentrated on its core business: to operate a safe, reliable, efficient and compliant distribution system that meets the evolving need of its consumers. This is what electricity consumers expect.

We are pleased to inform consumers that Network Waitaki Ltd continues to perform to a high standard and compares well with its larger peers. Over the past year Network Waitaki has successfully maintained and grown the network to supply the increased demand, mainly as a result of irrigation programs. During the past ten years electricity demand in the Waitaki area has increased from 34 MW to 57 MW and swung from a winter peaking demand to a summer peaking demand.

This year we are especially proud of the completion of a new 66 kV sub transmission line between Kurow and Duntroon. This challenging development was completed in time for the summer irrigation season and has alleviated constraints on the Oamaru Grid Exit Point (GXP).

Network Waitaki values its consumers and has returned $2.07 million (GST included) to consumers for the period 1 April 2015 to 31 March 2016.

Evolving technologies such as photovoltaic generation, battery storage and electric vehicles are becoming part of the energy equation and Network Waitaki is closely observing developments in this space.

The year 2016 presented us not only with successes but also with challenges, all of which were managed in an effective manner. We would like to thank everyone who contributed to the successful operation of Network Waitaki over the past year. Network Waitaki would not be able to fulfil its role without the dedication and teamwork of its staff and without the commitment and governance of the Board of Directors and the Waitaki Power Trust.

ABOUT NETWORK WAITAKI

Ownership

Network Waitaki is owned by the Waitaki Power Trust which hold the shares in Network Waitaki for the benefit of the electricity consumers in the wider Waitaki district.

Core business

Network Waitaki is an electricity lines company distributing electricity from the national grid to consumers' properties. Its area of supply extends from the Waitaki River to Shag Point, up the Waitaki Valley as far as Ohau and the Hakataramea Valley. It services 12,670 consumer connections across a network of 1,928 km of power lines.

Mission

To be a locally owned and operated electricity Distribution Company that provides the benefits of local consumer trust ownership by:

- Owning and operating a safe, reliable and efficient distribution system that meets the evolving needs of its consumers, in accordance with the Asset Management Plan.
- Supporting the economic growth and wellbeing of the community it serves.

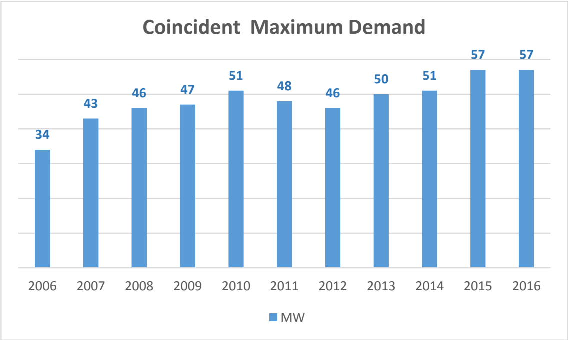
Prices

- Network Waitaki tariffs are among the lowest in New Zealand as reported in the Quarterly Survey of Domestic Electricity Prices[1] where it ranks fifth lowest of the 29 network companies around New Zealand.

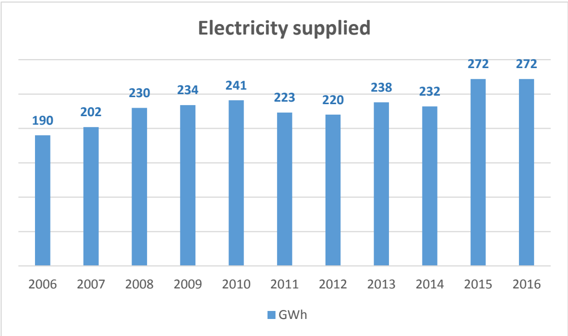
[1] Ministry of Business, Innovation & Employment, Quarterly Survey of Domestic Electricity Prices, 15 November 2015.

Growth

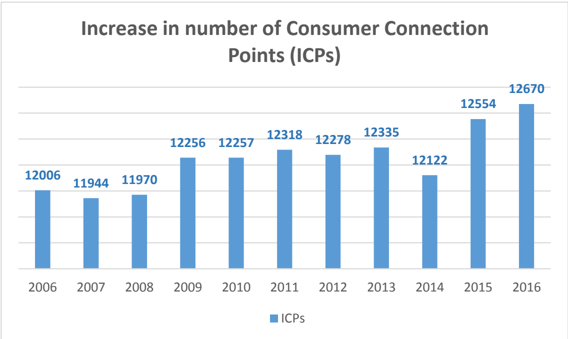
- During the past 10 years Network Waitaki has experienced a 68% increase from 34 MW to 57 MW in demand for electricity.



- The units of energy transported has increased by 43% from 190 GWh to 272 GWh over the past ten years.



- The number of consumer connection points (ICPs) has increased by 6% from 12,006 to 12,670 over the past ten years.



This growth has required significant investments by Network Waitaki over this period funded from investment by Network Waitaki and developer contributions.

Capital Projects

Capital projects amounting to $8,463,187 have continued this past year to meet the increased demand.

Major projects have included

- The development of a new 25MVA (GXP) at Lake Waitaki and 35 km of transmission lines between Kurow and Duntroon. These investments were necessitated by the constraints on the Transpower 110kV line supplying Oamaru and the need to meet the increasing rural demand for electricity.
- The Kurow Substation has been upgraded from a 4MVA to a dual 12MVA substation. This investment was necessary to meet the increased demand for electricity for irrigation in the Hakataramea Valley and future developments in the Waitaki Valley.
- The Ruataniwha substation has been upgraded from 500kVA to 2MVA to meet the increased demand from irrigation and to improve the security and safety of the site.

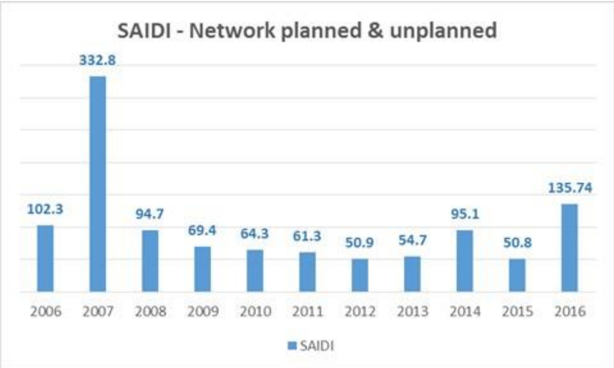
- Investment in technology has also occurred with the implementation of phase one of the Technology One, One Energy suite of programmes. This enterprise software investment replaces former data bases and stand alone accounting systems.

Network Performance

The performance of the network was adversely affected by various weather events during the year including snow in the Omarama Area and several experiences of strong wind.

Customer minutes lost due to planned outage was also higher than normal due to the number of outages associated with the building of the line between Kurow and Duntroon.

Total disclosed customer minutes lost were 135.74 SAIDI[2] minutes compared to a target of 116.50 SAIDI minutes. The figure below illustrates Network Waitaki's performance in this regard over the past ten years.



Network Performance is a measurement of how low we can keep the minutes lost and also the quality of supply the customers receive. This year, the network has experienced increased levels of harmonics and poor power factor on the network. Both harmonics and poor power factors are generated by the equipment connected to the electricity network. Network Waitaki has invested in correcting poor power factor and is working with consumers who are known to be contributing to the Harmonic levels and low power factors. This area of network performance will receive increased attention by inspection of connected installations. Harmonics affect not only the offending installation but also other connected installations.

The high performance of the network is supported by dedicated staff who rise to the occasion when an event occurs to restore the power with a sense of urgency in the shortest time possible while being mindful of their own safety and also that of the public.

Community Support

Network Waitaki prides itself in being part of the North Otago community. During the year Network Waitaki, through its sponsorship programme, has donated $80,000 to 49 organisations.

Health and Safety

Health and Safety is a significant consideration in all decisions and actions that Network Waitaki is involved in. Network Waitaki plans so that all staff go home at the end of the day to their loved ones. To ensure this happens Network Waitaki has a strong focus on training, providing the right equipment for the tasks to be performed and developing a culture of safe practise that extends throughout the organisation. Safety of the public is critical and is considered in the design and maintenance of all electrical equipment. Significant advertising is undertaken to draw public attention to the risk that trees, in close proximity to power lines, present or when working or playing in close proximity to electrical equipment. Think safety at all times is one of our key mottos.

Scholarship

Network Waitaki provides a scholarship to successful applicants to further their education in subjects required for employment at Network Waitaki. The first recipient of this scholarship is Peter Knight who is now in his second year of employment at Network Waitaki having completed a Bachelor of Engineering with Honours. Three other recipients of this scholarship are at various stages of their university studies.

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[2] System Average Interruption Duration Index

On the Regulatory front

Compliance with regulatory requirements is a key focus of Network Waitaki. The key regulators applicable to electricity distribution businesses are the Commerce Commission and the Electricity Authority.

The Commerce Commission sets limits on the maximum electricity network price, as well as service quality targets that certain non-exempt electricity distribution businesses can charge. Network Waitaki is exempt from price quality path regulation but does strive to comply with it.

The Electricity Authority on the other hand determines the market rules and price structures that electricity distribution businesses must comply with. In this regard Network Waitaki has continued to work with retailers on finalising Use of System Agreements in line with the Model Use of System Agreements that were published in 2012 by the Electricity Authority.

Looking Ahead

Network Waitaki believes that the demand for electricity and network services, in the greater Waitaki district, will continue for several years although at a slower rate than recent years. This will require continued investment in network assets to meet this growth.

A significant portion of the network distribution assets were built in the 1960s. The excellent performance of the network reflects the effective and well managed maintenance and operation of these assets. The assets are now reaching the stage of their lives where increasing portions of capital expenditure will be required for asset replacement expenditure.

Emerging technologies such as photovoltaic generation, wind generation and electric vehicles will bring new challenges for the electricity distribution industry. Network Waitaki is planning to meet these challenges to deliver the best service to all of the consumers in the wider Waitaki district.

Clare Kearney
Chairman

Graham Clark
Chief Executive

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 Chairman of Sport Otago, Chairman of Waitaki Safer Community Trust and a Trustee of KP & CM Kearney Family Trust.

Derek Atkinson

Derek has been a Director since June 2011.

John Walker

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

Chris Dennison

Chris has been a Director since June 2013. He is 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, and Carhill Limited; a Shareholder of North Otago Irrigation Company; a Trustee for Springhill Forestry Limited, Pukeraro Trust and Otago/Southland Child Cancer Foundation; and a Restructuring Facilitator of Maerewhenua Irrigation.

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. Tony is the Chairman of North Otago Search and Rescue.

DIRECTORS' REPORT (CONTINUED)

GENERAL DISCLOSURES

PRINCIPAL ACTIVITIES

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

REVIEW OF OPERATIONS

The Operating Revenue (before customer discount) was $23,795,848 (2015 $26,903,304) for the year.

Operating Profit before Taxation is $7,260,360 (2015 $7,887,405).

SHARE CAPITAL

Total issued and paid up capital as at 31 March 2016 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 2016 year, (2015 NIL)

DISCOUNT

A discount (excluding GST) of $1,767,952 has been paid to Customers (2015 $1,728,625).

DONATIONS

The company made donations totaling $78,586 in the year (2015 $84,779).

CORPORATE GOVERNANCE

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

Board of Directors

The Board is the governing body of the company and currently has six members. The Board is appointed by the shareholders to oversee the management of the Company and is responsible for all corporate governance matters. The Board 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 formally 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 Company. This incorporates the long-term strategic financial plan, strategic initiatives, budgets and the policy framework. The Board has developed and maintains clear policies which define the individual and collective responsibilities of the Board and management.

REMUNERATION OF DIRECTORS

	Total Directors' fees paid $
Mrs. C.M. Kearney	45,625
Mr. D. Atkinson	29,625
Mr. D.A. Ruddenklau	29,625
Mr. C.J. Dennison	29,625
Mr. J.D. Walker	29,625
Mr. A.J. Wood	29,625
Total Directors' fees	**193,750**

EMPLOYEE REMUNERATION

The Companies Act 1993 requires the number of employees receiving remuneration greater than $100,000 to be disclosed. Two employees within the Network Waitaki Limited received remuneration in the range of $120,000 to $130,000, two employees received remuneration in the range of $140,000 to $150,000, one employee received remuneration in the range of $150,000 to $160,000 and one employee received remuneration in the range of $230,000 to $240,000.

INDEMNIFICATION AND INSURANCE OF OFFICERS AND DIRECTORS

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

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

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

EVENTS SUBSEQUENT TO BALANCE DATE

The Directors are not aware of any matter 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 2015/16 is $64,450 (2014/15 was $52,075).

Clare Kearney

Clare Kearney
Chairman

AJ Wood.

Tony Wood
Director

TREND STATEMENT

	2016	2015	2014	2013	2012	2011
	$'000	$'000	$'000	$'000	$'000	$'000
FINANCIAL PERFORMANCE						
Operating Revenue	23,796	26,903	21,825	19,305	16,322	16,382
Operating Profit before Tax	7,260	7,887	3,859	3,344	1,860	2,408
Taxation	(2,036)	(2,137)	(1,163)	(955)	(261)	(1,052)
Net Surplus	5,224	5,750	2,696	2,389	1,599	1,356
Customer Discounts	1,768	1,729	1,676	2,023	1,873	2,367
FINANCIAL POSITION						
Current Assets	14,591	15,688	12,416	11,119	8,387	8,379
Non-Current Assets	85,551	79,444	74,039	72,246	71,150	71,049
Total Assets	100,142	95,132	86,455	83,365	79,537	79,428
Liabilities	17,653	17,867	14,940	14,546	13,108	14,887
Net Assets	82,489	77,265	71,515	68,819	66,429	64,541
Share Capital	14,571	14,571	14,571	14,571	14,571	14,571
Retained Earnings	67,918	62,694	56,944	54,248	51,858	49,970
Equity	82,489	77,265	71,515	68,819	66,429	64,541
FINANCIAL RATIOS						
Accounting Return on Total Assets						
Before Discount and Tax	9.02%	10.11%	6.40%	6.44%	4.69%	6.01%
After Discount and Tax	5.22%	6.04%	3.12%	2.87%	2.01%	1.71%
Accounting Return on Equity						
Before Discount and Tax	10.94%	12.45%	7.74%	7.80%	5.62%	7.40%
After Discount and Tax	6.33%	7.44%	3.77%	3.49%	2.42%	2.10%
NPAT to Shareholders Funds	6.33%	7.44%	3.77%	3.49%	2.42%	2.10%
Current Ratio	4.15	3.34	4.60	3.86	4.47	2.53
NPAT Earnings Per Share in Cents						
Before Discount	49.95	53.42	31.23	31.52	24.80	26.60
After Discount	37.32	41.07	19.26	17.07	11.42	9.69
Net Assets Per Share	$5.89	$5.51	$5.11	$4.89	$4.74	$4.61
STATISTICS						
SAIDI (normalized)	135.74	51.07	79.62	54.73	50.85	61.33
SAIFI (normalized)	0.76	1.10	1.28	1.41	0.65	0.79
CAIDI	177.45	46.60	62.31	38.80	78.23	77.63
Direct Line Cost per km of line	$1,608	$1,931	$1,710	$1,421	$1,483	$1,168

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 Limited as at 31 March 2016 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 Limited 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 Limited and facilitate compliance of the financial statements with the Financial Reporting Act 2013.

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

The Directors have pleasure in presenting the Financial Statements of Network Waitaki Limited for the year ended 31 March 2016.

The Board of Directors of Network Waitaki Limited authorises these Financial Statements for issue on 30 May 2016.

For and on behalf of the Board of Directors

Clare Kearney
Chairman

Tony Wood
Director

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2016

	Notes	2016 $	2015 $
Operating Revenue	2	23,795,848	26,903,304
Less			
Customer Discount		(1,767,952)	(1,728,625)
Operating Revenue after Customer Discount		22,027,896	25,174,679
Less			
Operating Expenses	3	(3,196,724)	(5,974,247)
Transmission Costs		(4,899,750)	(4,998,747)
Employee Costs		(2,639,514)	(2,532,551)
Depreciation, Amortisation and Impairment	4	(4,031,548)	(3,781,729)
Operating Profit Before Tax		7,260,360	7,887,405
Taxation	5	(2,035,964)	(2,137,848)
Net Profit for the Year		5,224,396	5,749,557
Total Comprehensive Income		5,224,396	5,749,557

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2016

	Share Capital $	Retained Earnings $	Total Equity $
Balance at 1 April 2014	14,571,119	56,943,440	71,514,559
Profit for the year, being total comprehensive income	-	5,749,557	5,749,557
Balance at 31 March 2015	14,571,119	62,692,997	77,264,116
Balance at 1 April 2015	14,571,119	62,692,997	77,264,116
Profit for the year, being total comprehensive income	-	5,224,396	5,224,396
Balance at 31 March 2016	14,571,119	67,917,393	82,488,512

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

STATEMENT OF FINANCIAL POSITION

as at 31 March 2016

	Notes	2016 $	2015 $
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents		630,137	8,150,496
Short Term Deposits		9,950,000	3,503,602
Trade and Other Receivables	6	2,559,772	2,859,357
Inventories	9	1,286,825	1,004,439
Work in Progress		152	5,526
Deferred Tax	5	164,392	164,392
TOTAL CURRENT ASSETS		14,591,278	15,687,812
NON-CURRENT ASSETS			
Trade and Other Receivables	6	407,060	-
Property, Plant and Equipment	7	84,380,188	78,656,765
Intangible Assets	8	763,418	786,865
TOTAL NON-CURRENT ASSETS		85,550,666	79,443,630
TOTAL ASSETS		100,141,944	95,131,442
LIABILITIES			
CURRENT LIABILITIES			
Trade and Other Payables	10	2,767,742	3,816,456
Employee Entitlements	11	587,928	580,941
Taxation Payable		253,966	297,744
TOTAL CURRENT LIABILITIES		3,609,636	4,695,141
NON-CURRENT LIABILITIES			
Loan from Waitaki Power Trust	15	1,150,000	1,150,000
Deferred Tax	5	12,893,796	12,022,185
TOTAL NON-CURRENT LIABILITIES		14,043,796	13,172,185
TOTAL LIABILITIES		17,653,432	17,867,326
EQUITY			
Share Capital	12	14,571,119	14,571,119
Retained Earnings	13	67,917,393	62,692,997
TOTAL SHAREHOLDERS’ EQUITY		82,488,512	77,264,116
TOTAL LIABILITIES AND SHAREHOLDERS’ EQUITY		100,141,944	95,131,442

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

STATEMENT OF CASH FLOWS

for the year ended 31 March 2016

	Note	2016 $	2015 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was Provided from:			
Receipts from Customers		21,529,392	25,068,500
Interest Received		397,354	392,989
		21,926,746	25,461,488
Cash was Disbursed to:			
Payments to Suppliers and Employees		(11,985,630)	(13,623,661)
Income Tax Paid		(1,208,131)	(931,087)
Net GST Paid		(75,423)	(35,087)
		(13,269,184)	(14,589,841)
NET CASH FROM OPERATING ACTIVITIES	14	8,657,562	10,871,648
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was Provided from:			
Proceeds of Sale of Assets		8,848	17,863
		8,848	17,863
Cash was Applied to:			
Purchase of Property, Plant and Equipment and Intangible Assets		(9,740,371)	(9,451,197)
		(9,740,371)	(9,451,197)
NET CASH FROM INVESTING ACTIVITIES		(9,731,523)	(9,433,334)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash was Provided from:			
Repayment of Loan		-	-
		-	-
NET CASH FROM FINANCING ACTIVITIES		-	-
NET INCREASE/(DECREASE) IN CASH HELD		(1,073,961)	1,438,314
Cash, Cash Equivalents and Short Term Deposits at Beginning of the Year		11,654,098	10,215,784
CASH, CASH EQUIVALENTS AND SHORT TERM DEPOSITS AT END OF THE YEAR		**10,580,137**	**11,654,098**

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

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES

ENTITY REPORTING

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

PARENT TRUST

The parent trust is the Waitaki Power Trust.

GENERAL INFORMATION

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

STATEMENT OF COMPLIANCE WITH NZ IFRS

Basis of Preparation

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

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

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

DATE OF ISSUE FOR THE FINANCIAL STATEMENTS

These financial statements have been approved for issue by the Board of Directors on 30 May 2016. The entity's owners do not have the power to amend the financial statements after its issue.

PROFIT-ORIENTED ENTITY

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

STATUTORY BASE

Network Waitaki Limited is:

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

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

FUNCTIONAL AND PRESENTATION CURRENCY

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

MEASUREMENT BASE

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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

Network reticulation assets

Network reticulation assets are depreciated at the rates provided by the ODV handbook issued by the Commerce Commission in 2004.

Easements

Easements are recorded at cost.

GOODS AND SERVICES TAX (GST)

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

REVENUE

Sale of goods

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

Services supplied

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

Investment income

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

Lease income

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

Customer contributions

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

Construction Contracts

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INCOME TAX

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

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

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

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

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

CAPITAL AND OPERATING EXPENDITURE

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

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

DIVIDENDS

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

CASH AND CASH EQUIVALENTS

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

.CAPITAL RISK MANAGEMENT

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

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

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

TRADE RECEIVABLES

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

PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

Capital Contributions are amortised over 10 years.

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

INTANGIBLE ASSETS

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

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

Intangible assets are carried at cost less accumulated amortisation.

The following amortisation rates have been used:

Item	Amortisation rate
Computer Software	15% to 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.

BORROWING COSTS

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BORROWINGS

Borrowings are initially measured at fair value plus transaction costs.

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

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

FINANCIAL ASSETS

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

Loans and receivables

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

FINANCIAL RISK MANAGEMENT

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

Market risk

(i) Foreign exchange risk

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

(ii) Cash flow and fair value interest rate risk

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

Credit risk

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Liquidity risk

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

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

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

Fair value estimation

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

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

FOREIGN CURRENCY TRANSACTIONS

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

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

TRADE AND OTHER PAYABLES

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

PROVISIONS

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

EMPLOYEE ENTITLEMENTS

Wages, salaries and annual leave

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

Sick and special leave

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

Long service leave

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

SHARE CAPITAL

Ordinary shares are classified as equity.

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

LEASES

Operating Leases

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

Finance Leases

The Company is the Lessor

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

The Company is the Lessee

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

The corresponding rental obligations, net of finance charges, are included in other long term payables. The interest element of the finance cost is charged to the Statement of Comprehensive Income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

New and amended standards adopted by the company

There are no changes in 2015/16.

New Standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 April 2015, and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Company, except the following set out below:

NZ IFRS 9: Financial Instruments

NZ IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of NZ IFRS 9 was issued in September 2014. It replaces the guidance in NZ IAS 39 that relates to the classification and measurement of financial instruments. NZ IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in NZ IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. NZ IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but beginning on or after 1 January 2018. Early adoption is permitted. The company intends to adopt NZ IFRS 9 on its effective date and has yet to assess its full impact.

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

NZ 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 Company has yet to assess IFRS 15's full impact. The Company will apply this standard from 1 April 2018.

NZ IFRS 16: Leases

NZ IFRS 16, "Leases' replaces the current guidance in NZ IAS 17. Under NZ IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Under NZ IAS 17, a lessee was required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). NZ IFRS 16 now requires a lessee to recognise a lease liability reflecting future lease payments and a 'right-of-use asset for virtually all lease contracts. Included is an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees.

For lessors, the accounting for leases under NZ IFRS 16 is almost the same as NZ IAS 17. However, because the guidance on the definition of a lease has been updated (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard.

The standard is effective for accounting periods beginning on or after 1 January 2019. Early adoption is permitted but only in conjunction with NZ IFRS 15, 'Revenue from Contracts with Customers.
The company intends to adopt NZ IFRS 16 on its effective date and has yet to assess its full impact.

Prior Year Comparatives

Prior year comparatives have been restated where necessary in line with current year reporting.

	2016 $	2015 $

2 OPERATING REVENUE

	2016 $	2015 $
Operating Revenue Comprises:		
Network	18,813,718	17,957,444
Capital Contributions	2,480,806	3,362,025
Metering	872,913	949,020
Interest	397,354	392,986
Bad Debts Recovered	3,561	4,817
Rent	65,414	58,715
Contracting Private Network Revenue (Discontinued)	-	2,659,815
Contracting External Revenue	309,458	442,500
Other	852,624	1,075,982
	23,795,848	**26,903,304**

3 OPERATING EXPENSES

	2016 $	2015 $
Operating Expenses Comprise:		
Operating Costs	2,762,665	5,542,170
Directors' Fees	193,748	187,500
Assets Scrapped	-	-
Donations	78,586	84,779
Audit Fees (Financial Statements) - PWC	64,450	52,075
Audit Disbursements (Financial Statements) - PWC	7,325	4,170
Taxation Services - PWC	9,425	21,793
Other Services (Preparation of Submissions) - PWC	12,550	13,408
Regulatory Audit Including Disbursements - PWC	35,852	34,029
Other Regulatory Audits - Other	20,310	18,497
Rent	11,783	13,300
Bad Debts Written Off	30	2,526
	3,196,724	**5,974,247**

4 DEPRECIATION, AMORTISATION AND IMPAIRMENT

	2016 $	2015 $
Depreciation, Amortisation and Impairment Comprises:		
Buildings	50,910	46,396
Network Reticulation System	2,791,615	2,592,213
Meters and Relays	252,629	318,535
Plant and Equipment	525,759	388,083
Fibre Network	182,432	182,308
Intangibles	228,203	254,194
	4,031,548	**3,781,729**

5 TAXATION

	2016 $	2015 $
Tax Expense for Period Made up of		
Current Taxation Expense	1,164,353	1,235,026
Deferred Taxation Expense	871,611	902,822
	2,035,964	**2,137,848**
Operating Surplus Before Income Tax	7,260,360	7,887,405
Prima Facie Taxation @ 28 cents	2,032,901	2,208,473
Movement in Income Tax Due to:-	-	-
Non Deferred Tax Differences	-	-
Non Assessable Income	-	(95,044)
Non Deductible Expenses	3,063	5,516
Prior Period Adjustment	-	18,903
	3,063	**(70,625)**
Tax Expense	**2,035,964**	**2,137,848**
Deferred Tax Movements		
Capital Contributions	(441,099)	(757,303)
Depreciation	(439,869)	(172,876)
Prior Period Adjustment	-	-
Tax Return to Provision True up – Depreciation	-	-
Other	9,358	27,357
	(871,610)	**(902,822)**
Income Tax	1,164,354	**1,235,026**

	2016 $	2015 $
Imputation Credit Account		
Opening Balance	8,272,084	7,407,652
Prior Period Adjustment	-	-
Income Tax Payments During the Year	1,208,131	945,000
Income Tax Refunds Received During the Year	-	(87,303)
Imputation Credit Received	-	-
Other Credits	-	6,735
Imputation Credit Allocated to Dividends in the Year	-	-
Closing Balance	9,480,215	**8,272,084**

5 TAXATION (CONTINUED)

	Depreciation	Other	Total
	$	$	$
DEFERRED TAX LIABILITY/(ASSET)			
Opening Balance as at 1 April 2014	10,348,538	606,434	10,954,972
Change in the Year	172,876	729,946	902,822
Closing Balance as at 31 March 2015	**10,521,414**	**1,336,380**	**11,857,794**
Opening Balance as at 1 April 2015	10,521,414	1,336,380	11,857,794
Change in the Year	439,869	431,741	871,610
Closing Balance as at 31 March 2016	10,961,283	1,768,121	12,729,404
Current and Non-Current Deferred tax Liability/(Asset)			
2015			
Current Deferred Tax	(672)	(163,720)	(164,392)
Non-Current Deferred Tax	10,522,086	1,500,100	12,022,186
Total Deferred Tax	**10,521,414**	**1,336,380**	**11,857,794**
2016			
Current Deferred Tax	(672)	(163,720)	(164,392)
Non-Current Deferred Tax	10,961,955	1,931,841	12,893,796
Total Deferred Tax	10,961,283	1,768,121	12,729,404

6 TRADE AND OTHER RECEIVABLES

	2016	2015
	$	$
The Balance Comprises:		
Trade Receivables	2,207,196	2,160,089
Doubtful Debts	(57,678)	-
Total Receivables	2,149,518	2,160,089
Other Receivables	661,371	353,365
Prepayments	155,943	258,348
GST	-	87,555
Balance at End of Year	2,966,832	2,859,357
Less Non-Current Trade Receivables	407,060	-
Current Trade and Other Receivables	**2,559,772**	**2,859,357**

Trade and Other Receivables less than 90 days old	2,911,418	2,835,477
Trade and Other Receivables greater than 90 days old	55,414	23,880
Trade and Other Receivables greater than 90 days old and impaired	-	-
	2,966,832	2,859,357

No Trade and Other Receivables were impaired in 2015 or 2016 other than those allowed for in the doubtful debts provision..

7 PROPERTY, PLANT AND EQUIPMENT

	Network Reticulation System	Land & Buildings	Meters and Relays	Fibre Network	Plant and Equipment	Totals
	$	$	$	$	$	$
Gross Carrying Amount						
At 1 April 2014	87,336,809	2,067,284	2,716,899	2,604,400	4,031,479	98,756,871
Additions	5,083,604	874	21,967	-	613,717	5,720,162
Disposals	(383,360)	-	(163,693)	-	(477,231)	(1,024,284)
At 31 March 2015	92,037,053	2,068,158	2,575,173	2,604,400	4,167,965	103,452,749
Additions	10,385,665	220,488	25,816	-	825,547	11,457,516
Disposals	(322,331)	-	-	-	(40,896)	(363,227)
At 31 March 2016	102,100,387	2,288,646	2,600,989	2,604,400	4,952,616	114,547,038
Accumulated Depreciation and Impairment						
At 1 April 2014	21,839,531	341,752	1,958,452	637,290	1,666,908	26,443,932
Charge for Year	2,299,679	38,795	318,535	182,308	465,372	3,304,689
Disposals	(160,239)	-	(163,693)	-	(462,415)	(786,347)
At 31 March 2015	23,978,971	380,546	2,113,293	819,598	1,669,865	28,962,274
Charge for Year	2,605,684	50,910	252,629	182,432	510,025	3,601,680
Disposals	(150,020)	-	-	-	(25,161)	(175,181)
At 31 March 2016	26,434,635	431,456	2,365,922	1,002,030	2,154,729	32,388,773
Net Book Values						
At 31 March 2015	68,058,082	1,687,612	461,880	1,784,802	2,498,101	74,490,477
Work in Progress	4,032,380	117,609	-	-	16,299	4,166,288
	72,090,462	1,805,221	461,880	1,784,802	2,514,400	78,656,765
At 31 March 2016	75,665,752	1,857,190	235,067	1,602,370	2,797,888	82,158,267
Work in Progress	2,218,597	-	-	-	3,324	2,221,921
	77,884,349	1,857,190	235,067	1,602,370	2,801,212	84,380,188

8 INTANGIBLE ASSETS

	2016 $	2015 $
Purchased Software		
Gross Carrying Amount		
Opening Balance	1,265,760	670,748
Additions	242,159	653,130
Disposals	-	(58,118)
Closing Balance	1,507,919	1,265,760
Accumulated Amortisation and Impairment		
Opening Balance	516,298	320,455
Charge for Year	228,203	254,195
Disposals	-	(58,352)
Closing Balance	744,501	516,298
Net Book Value	763,418	749,462
Work in Progress	-	37,403
Carrying Amount	763,418	786,865

9 INVENTORIES

	2016 $	2015 $
Inventories	1,286,825	1,004,439

No inventory has been written down, or had a write-down reversal. No inventory is pledged as security for liabilities.

10 TRADE AND OTHER PAYABLES

Trade Payables	2,128,056	3,460,465
Accruals	105,567	99,138
Capital Contributions	527,045	256,853
GST	7,074	-
Balance at End of Year	**2,767,742**	3,816,456

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

Note 18 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.

11 EMPLOYEE ENTITLEMENTS

Leave Entitlements	478,403	476,018
Other Entitlements	109,525	104,923
Total	587,928	**580,941**

12 SHARE CAPITAL

	2016 $	2015 $
Fully Paid-up Ordinary Shares	14,000,000	14,000,000
Non-issued Shares and Shares Held by the Company	-	-
Total Number of Ordinary Shares Authorised	14,000,000	14,000,000

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 2016 year (2015 Nil).

13 RETAINED EARNINGS

	2016 $	2015 $
Balance at Beginning of Year	62,692,997	56,943,440
Net Surplus for Year	5,224,396	5,749,557
Dividend Paid	-	-
Balance at End of Year	67,917,393	62,692,997

14 RECONCILIATION OF NET PROFIT WITH CASHFLOW FROM OPERATING ACTIVITIES

	2016 $	2015 $
Net Profit for the Year	5,224,396	5,749,557
Add/(Less) Non-Cash Items:		
Depreciation and Amortisation	4,031,548	3,781,729
Assets Scrapped	-	-
Movement in Foreign Exchange	-	(255,534)
Dividend from Network Waitaki Contracting	-	-
Deferred Taxation	871,611	902,822
	4,903,159	4,429,017
Add/(less) Movements in Working Capital Items:		
(Increase) / Decrease in Trade and Other Receivables	(107,475)	(1,221,376)
(Increase) / Decrease in Inventories	(282,386)	(99,610)
(Increase) / Decrease in Work in Progress	5,374	17,800
Increase / (Decrease) in Tax Payable	(43,778)	303,940
Increase / (Decrease) in Trade and Other Payables	(1,048,714)	1,598,156
Increase / (Decrease) in Employee Entitlements	6,987	94,164
	(1,469,992)	693,074
Net Cash Flows From Operating Activities:	8,657,562	**10,871,648**

15 LOAN FROM WAITAKI POWER TRUST

	2016 $	2015 $
Opening Balance at 1 April 2015	1,150,000	1,150,000
Amount Drawn Down through to 31 March 2016	-	-
Closing Balance	1,150,000	1,150,000

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

16 CAPITAL COMMITMENTS

There were no capital commitments as at 31 March 2016 (2015 NIL)

17 RELATED PARTY TRANSACTIONS

	2016 $	2015 $
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	570,488	234,080
Outstanding Balance at Balance Date		
Trade Payables	31,025	30,771

Payments from Whitestone Contracting Limited to Network Waitaki 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	995	8,016

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 Limited to Waitaki Power Trust

Donation	-	5,000
Interest	70,951	73,104
Outstanding Balance at Balance Date	-	-

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 Limited to A.J. Wood Chartered Accountants Ltd

A.J. Wood Chartered Accountants Ltd is related to Network Waitaki Limited through its director, Mr AJ Wood who is a shareholder and director of A.J. Wood Chartered Accountants Ltd.

Directors Fees	29,625	28,625

Payments from Network Waitaki Company to key management personnel

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

Salaries	836,776	833,602
Outstanding Balance at Balance Date	-	-

18 ANALYSES OF FINANCIAL LIABILITIES

At 31 March 2016

	Less than 1 Year	Between 1 and 2 Years	Between 2 and 5 Years	Over 5 Years
Loan	$66,355	$66,355	$199,065	$1,813,550
Trade and Other Payables	$2,767,742			

At 31 March 2015

	Less than 1 Year	Between 1 and 2 Years	Between 2 and 5 Years	Over 5 Years
Loan	$73,104	$73,104	$219,312	$1,881,040
Trade and Other Payables	$3,816,456			

The loan is interest only, with no maturity date however the Waitaki Power Trust has given an undertaking to give a minimum of 12 months' notice of the requirement to make any repayment of the advance outstanding or part thereof. The current interest rate is 5.77% (2015 6.36%). The over 5 year amounts allow for payments up to 10 years.

19 OPERATING LEASES

	2016 $	2015 $
LESSORS - OPERATING LEASES		
No later than one year	394,802	439,139
Later than one year and no later than five years	1,562,780	1,556,659
Later than five years	5,709,602	6,076,801
	7,667,184	8,072,599

Network Waitaki leases out the fibre network it purchased in 2011. Its cost and accumulated depreciation values are shown in Note 7.

LESSEES - OPERATING LEASES

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

	2016 $	2015 $
No later than one year	526,732	428,850
Later than one year and no later than five years	1,997,741	1,617,827
Later than five years	2,395,014	2,293,626
	4,919,487	4,340,303

20 CONTINGENT LIABILITIES

The Company has no contingent liabilities as at 31 March 2016 (2015 Nil).

STATEMENT OF SERVICE PERFORMANCE

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

FINANCIAL PERFORMANCE MEASURES

STATEMENT OF COMPREHENSIVE INCOME FOR YEAR ENDED 31 MARCH 2016			
	ACTUAL	SCI	VARIANCE
Statement of Comprehensive Income	**$**	**$**	**$**
Operating Revenue	21,315,042	24,867,633	(3,552,591)
Operating Expenses	(10,735,988)	(16,529,977)	5,793,989
Operating Profit	10,579,054	8,337,656	2,241,398
Less Depreciation	(4,031,548)	(4,593,868)	562,320
Net Profit from Operational Activities	6,547,506	3,743,788	2,803,718
Other Income	-	-	-
Operating Profit after Other Income	6,547,506	3,743,788	2,803,718
Less Discount	(1,767,952)	(1,500,000)	(267,952)
Operating Profit after Discount	4,779,554	2,243,788	2,535,766
Taxation	(2,035,964)	(658,500)	(1,377,464)
Net Profit after Taxation and before Capital Contributions	2,743,590	1,585,288	1,158,302
Capital Contributions	2,480,806	1,800,000	680,806
Net Profit after Taxation and Capital Contributions	5,224,396	3,385,288	1,839,108

Comment

The higher Net Profit after Taxation represents a higher operating profit as well as higher capital contributions.

BALANCE SHEET AS AT 31 MARCH 2016			
	ACTUAL $	SCI $	VARIANCE $
Shareholders' Equity	82,488,512	79,955,288	2,533,224
Current Assets	14,591,278	10,160,000	4,431,278
Current Liabilities	3,609,636	2,577,000	(1,032,636)
Working Capital	10,981,642	7,583,000	3,398,642
Non-Current Assets	85,550,666	84,601,000	949,666
Non-Current Liabilities	14,043,796	12,228,712	(1,815,084)
	71,506,870	72,372,288	(865,418)
Net Assets	82,488,512	79,955,288	2,533,224

STATEMENT OF SERVICE PERFORMANCE (CONTINUED)

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

FINANCIAL PERFORMANCE MEASURES (CONTINUED)

KEY FINANCIAL REPORTING MEASURES	ACTUAL	SCI	VARIANCE
NPBT to Shareholder' Funds	8.80%	5.06%	3.74%
Net Assets per Share	$5.89	$5.71	$0.18
NPBT Earnings per Share in cents	51.86	28.88	22.98 Cents
Ratio of Shareholders' Funds to Total Assets	82.37%	84.38%	(2.00%)
Network Operating Cost per ICP	$228.39	$397.31	($168.92)
Rate of Return After Tax on Shareholder Funds	6.33%	4.23%	2.10%
Direct Line Cost per Circuit km of Line	$1,607.88	$1,862.65	($254.77)

Comment

The higher than planned net assets per share are a result of higher the Net Profit after taxation.

NON-FINANCIAL PERFORMANCE MEASURES

	ACTUAL	SCI	VARIANCE
Average Interruption Duration (SAIDI) - normalised	135.74	116.50	13.45
Average Interruption Frequency (SAIFI) - normalised	0.76	1.54	(0.78)
Customer Average Interruption Duration (CAIDI)	177.45	75.64	94.24
Line Loss	7.60%	6.00%	1.60%

Comment

The performance of the network was adversely affected by various weather events during the year including snow in the Omarama Area and several experiences of strong wind.

Customer minutes lost due to planned outage was also higher than normal due to the number of outages associated with the building of the line between Kurow and Duntroon.

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'S
FINANCIAL STATEMENTS AND STATEMENT OF SERVICE PERFORMANCE
FOR THE YEAR ENDED 31 MARCH 2016

The Auditor-General is the auditor of Network Waitaki Limited (the company). 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 the statement of service performance of the company on her behalf.

Opinion on the financial statements and the statement of service performance

We have audited:

- the financial statements of the company on pages 12 to 31, that comprise the statement of financial position as at 31 March 2016, 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 statement of service performance information of the company on pages 32 to 33.

Unmodified opinion on the financial statements

In our opinion the financial statements of the company:

- present fairly, in all material respects:
  - its financial position as at 31 March 2016; and
  - its financial performance and cash flows for the year then ended; and
- comply with generally accepted accounting practice in New Zealand in accordance with NZ IFRS Reduced Disclosure Regime.

Disclaimer of opinion on the SAIDI, SAIFI and CAIDI performance measures in the statement of service performance

Reason for our disclaimer of opinion

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

- no independent evidence being available to support the completeness and accuracy of the recorded faults used to measure the company's achievement against the SAIDI, SAIFI and CAIDI performance targets adopted; and
- limited control over the completeness and accuracy of interconnection point ('ICP') data representing individual customer connections to the network included in the SAIDI, SAIFI and CAIDI 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, SAIFI and CAIDI performance information, of which the outage and ICP data are integral elements, present fairly, in all material respects, the company'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, SAIFI and CAIDI performance measures adopted for the year ended 31 March 2016 which are reflected in the statement of service performance of the company on page 33:

- present fairly, in all material respects, the company's achievements measured against the SAIDI, SAIFI and CAIDI performance targets adopted for the year ended 31 March 2016.

Attention is drawn to the fact that we issued a disclaimer of opinion on the company's 31 March 2015 SAIDI, SAIFI and CAIDI outage data due to no independent evidence being available to support the completeness and accuracy of the recorded faults used to measure the company's achievement against the SAIDI, SAIFI and CAIDI performance targets, and because there was limited control over the completeness and accuracy of interconnection point ('ICP') data representing individual customer connections to the network included in the SAIDI, SAIFI and CAIDI calculations throughout the period. As a consequence, no assurance can be provided in relation to this limitation on the comparative information presented in the 31 March 2016 statement of service performance.

Unmodified opinion on the other performance measures in the statement of service performance

In our opinion, the other performance measures (that is the measures other than the SAIDI, SAIFI and CAIDI performance measures) in the statement of service performance:

- present fairly, in all material respects the company's achievements measured against the performance targets adopted for the year ended 31 March 2016.

Our audit was completed on 21 June 2016. 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 the statement of service performance 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 the statement of service performance. We are unable to determine whether there are material misstatements because the scope of our work was limited, as we referred to in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements and in the statement of service performance. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and the statement of service performance whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the company's financial statements and statement of service performance in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

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 appropriateness of the performance information within the company's framework for reporting performance;
- the adequacy of the disclosures in the financial statements and in the statement of service performance; and
- the overall presentation of the financial statements and the statement of service performance.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and the statement of service performance. Also we did not evaluate the security and controls over the electronic publication of the financial statements and the statement of service performance.

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 the preparation and fair presentation of financial statements in accordance with NZ IFRS Reduced Disclosure Regime and generally accepted accounting practice, and for the preparation and fair presentation of the statement of service performance.

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

The Board of Directors is also responsible for such internal control as it determines is necessary to enable the preparation of financial statements and the statement of service performance 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 the statement of service performance, whether in printed or electronic form.

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Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and the statement of service performance and reporting that opinion to you based on our audit. Our responsibility arises from the Public Audit Act 2001.

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, and taxation services which are compatible with those independence requirements. Other than the audit and these assignments, we have no relationship with, or interests in, the company.

Mark Bramley

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

PricewaterhouseCoopers

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