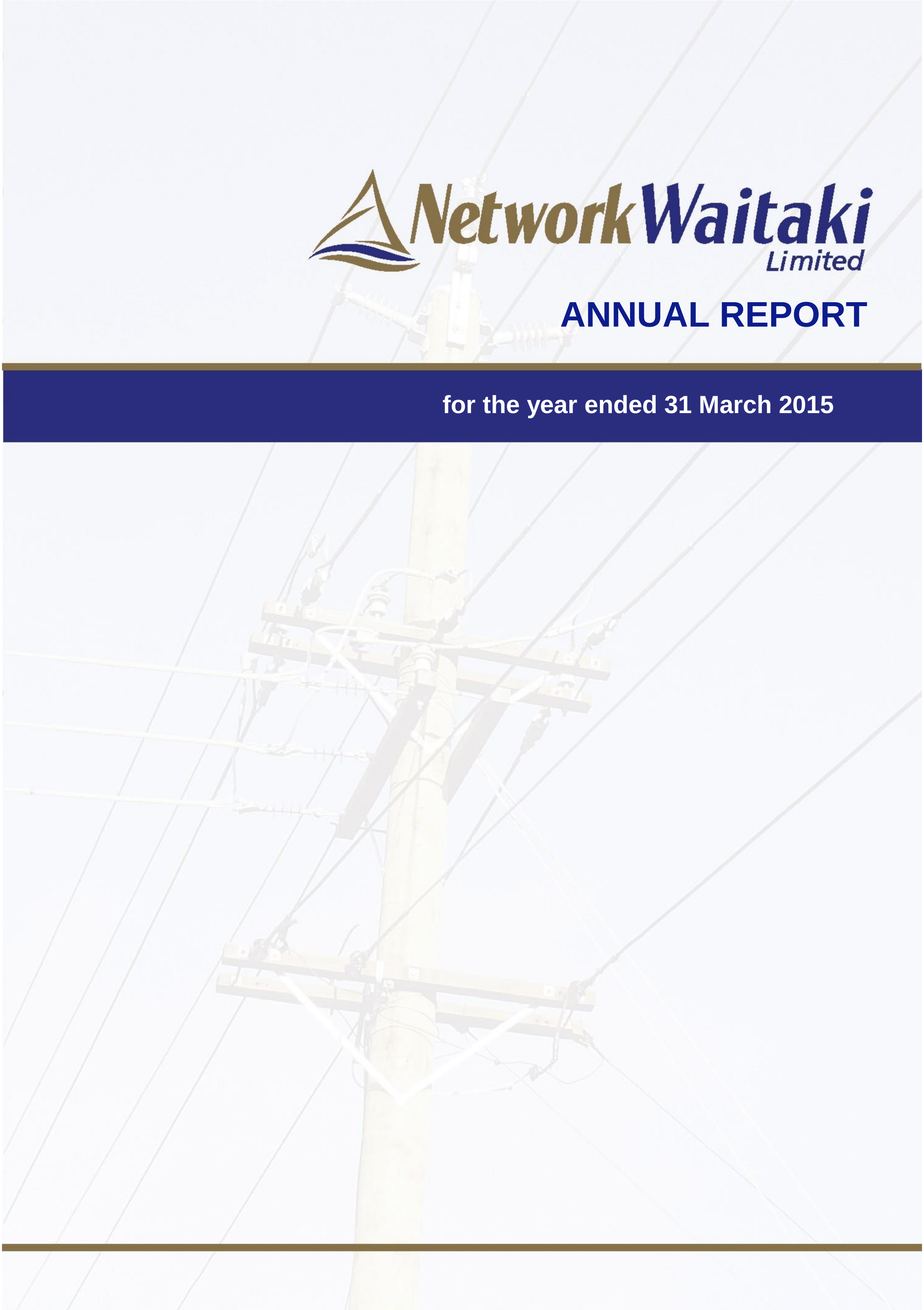

NetworkWaitaki Limited

ANNUAL REPORT

for the year ended 31 March 2015

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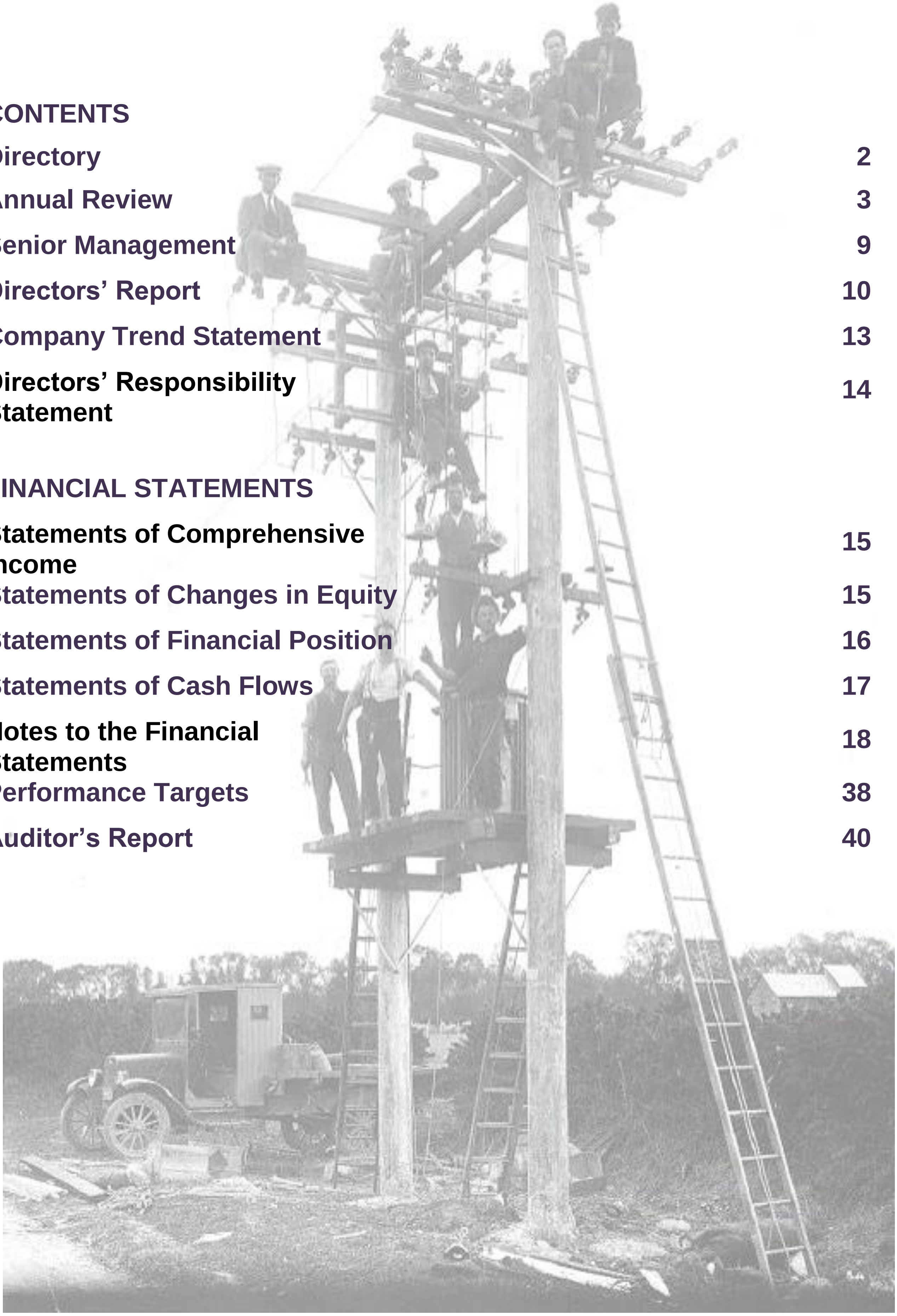
FINANCIAL STATEMENTS



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 (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

The Directors' and Chief Executive of the Network Waitaki Ltd are pleased to be able to present the Annual Report for the year ending 31 March 2015.

Network Waitaki Ltd is owned on behalf of consumers by the Waitaki Power Trust. Network Waitaki Contracting was merged with Network Waitaki Limited on 31 March 2015.

Our commitment to consumers is to operate a safe, secure and cost-efficient electricity network that is able to meet growing customer demand for electricity. We also, where appropriate, support the growth and wellbeing of the wider community.

Key Statistics as at 31 March 2015	
Length of 33kV lines and cables	170 km
Length of 11kV lines and cables	1,425 km
Length of LV lines and cables	336 km
Number of zone substations	15
Number of connected customers	12,581
Coincident maximum demand	51 MW
Energy transported across the network	291 GWh
Distribution transformer capacity (distributor and customer owned)	188 MVA
Zone substation transformer capacity	188 MVA
Discount paid to consumers (excluding GST)	$1.7 million
Number of employees	57

Safety

The Board, Management and Staff of the Network Waitaki Ltd are fully focused on enhancing and developing a positive safety environment for staff and the public.

Network Waitaki operates in a high risk industry and seeks to mitigate the potential for health and safety incidents. Policies, procedures and staff training has been reviewed and undertaken. This initiative is ongoing and improvement is continuous.

Part of developing a safety culture within the Company is reporting and monitoring near miss incidents. These are the experiences that are used for improvement and learning. Staff are encouraged to report and investigate these with the purpose of identifying cause and mitigating risk.

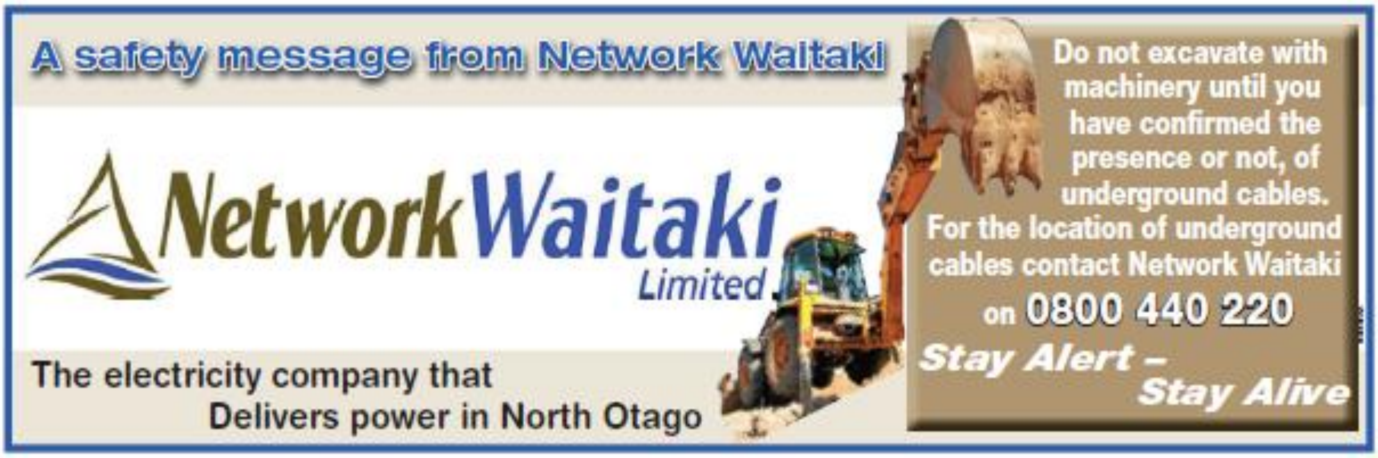
Health and Safety actions this year include:

1. The Vault computer system for recording and tracking workplace safety and training data was installed;
2. Streamlining paperwork associated with safety reporting;
3. Vehicle training for staff in 4WD and 2WD vehicles; and
4. An Independent Safety Audit.

A concern is the number of incidents involving the public, which as can be seen from the table below, have been increasing gradually at a rate of about 5 incidents per year since 2012. Activities related to Rural Farming, Construction and Trades and Motor Vehicles have been the main contributors to the increase.

Summary of Electrical Accidents and Incidents Involving the Public							
Activities	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
Rural Farming	13	9	10	9	17	19	19
Construction and Trades	9	10	11	12	8	18	9
Leisure, Sports and Consumer/Residential	17	13	10	6	8	1	9
Vandalism	1	4	4	2		1	
Motor Vehicles	14	13	9	13	13	13	19
Total	**54**	**49**	**44**	**42**	**46**	**52**	**56**

To raise public awareness of the hazards associated with working or playing in the proximity of electricity reticulation assets, Network Waitaki has employed newspaper and radio safety advertisements such as the ones below.



Security

SAIDI	2007 - 2008	2008 - 2009	2009 - 2010	2010 - 2011	2011 - 2012	2012 - 2013	2013 - 2014	2014-15
SAIDI Planned	24.14	10.76	14.68	11.38	13.52	4.84	7.69	12.95
SAIDI Unplanned	70.53	58.60	49.61	49.95	37.33	49.89	87.44	38.12
SAIDI Actual Total	**94.67**	**69.36**	**64.29**	**61.33**	**50.85**	**54.73**	**95.13**	**51.07**
SAIDI Normalised	76.01	59.29	64.28	61.33	50.85	54.73	81.40	51.07
SAIDI Target	100	100	100	90	90	81.07	116.5	116.5
SAIDI National Median	139.90	200.90	153.80	195.40	173.70	155.80	177.8	N/A

SAIFI	2007 - 2008	2008 - 2009	2009 - 2010	2010 - 2011	2011 - 2012	2012 - 2013	2013 - 2014	2014-15
SAIFI Actual	2.1	1.07	1.46	0.82	0.95	1.41	1.65	1.10
SAIFI Normalised	0.86	0.75	0.9	0.79	0.65	1.41	1.31	1.10
SAIFI Target	1.39	1.39	1.39	1.7	1.7	0.90	1.54	1.54

The Board are pleased to note the extremely favourable network performance figures over the year, despite challenging weather conditions.

External factors have a major influence on the reliability figures for the network. Tree management by the Company and cooperation by tree owners is important to reduce outages to the minimum

The Company seeks to minimise outages to consumers by undertaking live line work and using generators where appropriate when undertaking line work programmes.

Network maintenance and capital investment are important for a reliable and secure electricity supply to all consumers.

Capital Investment

Capital Investment has been targeted to meet load demand in the hinterland with the growth of irrigation and dairying. Network investment provides security of supply across the region.
Record units of electricity were distributed over the network this year with the increased demand due to dry weather conditions.

66kV Line Kurow to Duntroon

The major project commencing before the end of the financial year is the 66kV line being built from the Kurow substation to the Duntroon substation. Completion date for the project is spring 2015.

Lake Waitaki Grid Exit Point

A larger transformer has been sited at the Lake Waitaki Grid Exit Point as a sub-transmission solution to transmission constraints on the Oamaru Grid Exit Point. Load will be shifted away from Oamaru and supplied via Lake Waitaki.

Kurow Substation Upgrade

This upgrade forms the third part of improvement of security of supply to the Hakataramea Valley and Kurow area, replacement transformers have been installed in the substation to increase capacity at this substation.

Asset Management Software

Investment in Asset Management software, TechOne, provides security of data and streamlining of internal Company systems. The implementation and development of the project occurred in the financial year with the roll out starting in the 2015/16 financial year.

GIS Upgrade

The GIS product was upgraded during the year in preparation for integration to with Technology One Asset Management product in the 2015/16 year. This investment will allow the implementation of Software Mobility allowing information to be communicated between staff in the field and the office.

Financial result

The financial performance of the Company 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 $3,362,025 (2014 $1,459,782) and reflect a higher level of consumer investment.

Consumers received a total discount of $1,728,625 excluding GST (2014 $1,676,203 excluding GST). The level of discount reflected the decision to retain funds in the business in order to finance the 2015 investment in sub transmission assets and other developments to secure the supply of electricity to the district.

A net profit before tax of $7,887,405 (2014 $3,858,693) was achieved.

Network Operations

Capital expenditure amounted to $8,456,773 (2014 $5,070,677). Network capital expenditure amounted to $4,163,629.

Significant network capital expenditure is summarised below:

Network Waitaki expenditure classification	Value
System Growth	$4,183,205
Reliability, Safety & Environment	$1,244,530
Asset Replacement & Renewal	$979,580
Customer Connection	$840,336

Projects include:

- A GXP at Lake Waitaki
- A Sub-station at Kurow
- Security of supply for the Waitaki Valley
- Significant line strengthening around Network Waitaki's area

Security of supply for the Hakataramea Valley

Supporting Growth and Wellbeing of the Community

Sponsorship Grants

The Company supports a variety of organisations through an annual grant. . This year grants to the value of $84,779 were made. Significant grants included:

North Otago Recreational Turf Trust	8,000	Summer Camp	2,000
North Otago Rugby Union	7,500	Union Cricket Club Inc	3,000
Victorian Town at Work	5,500	Oamaru Farmers' Market	1,800
North Otago Sports Bodies Assn.	4,000	Waitaki Community Gardens	2,303
North Otago Basketball Assoc	3,000	Waitaki Road Safe Inc	2,157
Otago Community Hospice Trust	3,000	Alzheimers Society Otago Inc	2,300
Sport Otago	3,000	Barnardos Oamaru	4,689
North Otago Search & Rescue Inc	2,500	Maheno Primary School	7,000
Waitaki Autism Chritable Trust	2,500	Mental Illness Waitaki Inc	2,400
Waitaki Boy's High School	2,500	Oamaru Intermediate School	5,000
Waitaki Girl's High School	2,500	St Patricks Scout Group	1,000
North Otago Electricity Heritage Trust	2,000	The House of Breakthrough Trust Oamaru	3,000
North Otago Youth Support	2,000	The NO Section of the NZ Alpine Club	1,885
Presbyterian Support Otago	2,000	Whitestone Taekwondo Club	1,108

Chairman, Mrs Kearney Unveiling a Plaque at Duntroon
With Duntroon School Pupils

ANNUAL REVIEW (CONTINUED)

University Scholarship

The university scholarship programme continues with another scholarship being awarded bring the number scholarship recipients to three. This year Duncan McLeod was the worthy recipient. Network Waitaki Ltd wishes Duncan all the best for his first year at Canterbury University studying Electrical Engineering. Peter Knight, our original scholar, has joined the staff after completing his B.E Hons (Electrical)

Staff

Network Waitaki is fortunate to have a cohesive team of dedicated and skilled staff, committed to safety and delivery of services to consumers. The increased level of capital investment has placed demands on staff to meet challenging timeframes and expectations. Without fail, over the year, staff have risen to the challenge. The Board are very appreciative of the good work done by staff throughout the organisation.

A line mechanics team was again entered the ESITO Annual Connection line mechanic competition. The event was held in Christchurch and competition was fierce. The team represented the Company very credibly gaining an overall fourth ranking whilst winning the Driving and Chainsaw Safety sections and winning an award for the Best Presented Team.

Board

The composition of the Board has remained with the Waitaki Power Trust re appointing Clare Kearney and Derek Atkinson to the Board.

The Board and Management seek to positively engage with the Waitaki Power Trust, as shareholders in the Company. The Board regularly reports to the Trust, discussing any issues that are raised.

The Board would like to thank Graham Clark and the Network Waitaki team for their continued good work for the Company on behalf of consumers.

Going forward

The 2015/16 financial year starts as a merged network and contracting business.

As part of SmartCo, a combined electricity distribution company initiative, Network Waitaki moves this year to rolling out Smart Meters for consumers. This is a major technological change for the company and is in response to a demand from the industry to provide real-time electricity consumption data. Network Waitaki owns most of the existing meters in the network.

Further capital investment is planned in the Duntroon, Kurow and Papakaio areas.

Clare Kearney
Chairman

Graham Clark
Chief Executive

SENIOR MANAGEMENT

Graham Clark, CEO, BBS (Accounting), ANZIM

Graham manages the day to day operation of the Company 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 deBruin, 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 is responsible for the operation and management of the company's information and communication assets.

Derek McGee, Manager of Network Waitaki Contracting

Derek heads the network contracting team which is responsible for 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 Chair of Sport Otago, a Trustee of Waitaki Safer Community Trust, a Trustee of KP & CM Kearney Family Trust, an Observer Director of Taieri Gorge Railway Limited, and a shareholder in Veterinary Centre Limited.

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 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, 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.

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 $26,903,304 (2014 $21,825,234) for the year.

Operating Profit before Taxation is $7,887,405 (2014 $3,858,693).

SHARE CAPITAL
Total issued and paid up capital as at 31 March 2015 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 2015 year, (2014 NIL)

DISCOUNT
A discount (excluding GST) of $1,728,625 has been paid to Customers (2014 $1,676,203).

DONATIONS
The company made donations totaling $84,779 in the year (2014 $77,997).

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 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	44,375
Mr. D. Atkinson	28,625
Mr. D.A. Ruddenklau	28,625
Mr. C.J. Dennison	28,625
Mr. J.D. Walker	28,625
Mr. A.J. Wood	28,625
Total Directors' fees	**187,500**

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 $100,000 to $110,000, three employees received remuneration in the range of $110,000 to $120,000, two employees received remuneration in the range of $120,000 to $130,000, one employee received remuneration in the range of $150,000 to $160,000 and one employee received remuneration in the range of $220,000 to $230,000.

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

Network Waitaki Contracting Limited amalgamated with Network Waitaki Limited at the end of the 2015 financial year. 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 2014/15 was $52,075.

Clare Kearney
Chairman

Tony Wood
Director

TREND STATEMENT

	2015 $'000	2014 $'000	2013 $'000	2012 $'000	2011 $'000	2010 $'000
FINANCIAL PERFORMANCE						
Operating Revenue	26,903	21,825	19,305	16,322	16,382	16,062
Operating Surplus before Tax and before Associated Earnings	7,887	3,859	3,344	1,860	2,408	2,970
Associate Company Earnings	0	0	0	0	0	0
Operating Profit before Tax	7,887	3,859	3,344	1,860	2,408	2,970
Taxation	(2,137)	(1,163)	(955)	(261)	(1,052)	(382)
Net Surplus	5,750	2,696	2,389	1,599	1,356	2,588
Shareholders' Distributions	0	0	0	0	0	1,250
Customer Discounts	1,729	1,676	2,023	1,873	2,367	2,164
FINANCIAL POSITION						
Current Assets	15,122	12,416	11,119	8,387	8,379	10,838
Non-Current Assets	79,946	74,039	72,246	71,150	71,049	65,656
Total Assets	95,068	86,455	83,365	79,537	79,428	76,494
Liabilities	17,867	14,940	14,546	13,108	14,887	13,309
Net Assets	77,265	71,515	68,819	66,429	64,541	63,185
Share Capital	14,571	14,571	14,571	14,571	14,571	14,571
Reserves	0	0	0	0	0	0
Retained Earnings	62,694	56,944	54,248	51,858	49,970	48,614
Equity	77,265	71,515	68,819	66,429	64,541	63,185
FINANCIAL RATIOS						
Accounting Return on Total Assets						
Before Discount	7.86%	5.06%	5.29%	4.37%	4.69%	5.36%
After Discount	6.04%	3.12%	2.87%	2.01%	1.71%	3.38%
Accounting Return on Equity						
Before Discount	9.68%	6.11%	6.44%	5.25%	5.77%	6.49%
After Discount	7.44%	3.77%	3.49%	2.42%	2.10%	4.10%
NPAT to Shareholders Funds	7.44%	3.77%	3.49%	2.42%	2.10%	4.10%
Current Ratio	3.23	4.60	3.86	4.47	2.53	4.63
NPAT Earnings Per Share in Cents						
Before Discount	53.42	31.23	31.52	24.80	26.60	29.31
After Discount	41.07	19.26	17.07	11.42	9.69	18.49
Net Assets Per Share	$5.51	$5.11	$4.89	$4.74	$4.61	$4.51
STATISTICS						
SAIDI (normalized)	51.07	79.62	54.73	50.85	61.33	64.28
SAIFI (normalized)	1.10	1.28	1.41	0.65	0.79	0.90
CAIDI	46.60	62.31	38.80	78.23	77.63	71.42
Direct Line Cost per km of line	$1,931	$1,710	$1,421	$1,483	$1,168	$1,333
Indirect Line Cost per Consumer	$110	$92	$83	$81	$64	$69

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 2015 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 1993.

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 2015.

The Board of Directors of Network Waitaki Limited authorises these Financial Statements for issue on 25 May 2015.

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 2015

	Notes	2015 $	2014 $
Operating Revenue	2	26,903,304	21,825,234
Less			
Customer Discount		(1,728,625)	(1,676,203)
Operating Revenue after Customer Discount		25,174,679	20,149,031
Less			
Operating Expenses	3	(5,974,247)	(6,105,634)
Transmission Costs		(4,998,747)	(4,725,369)
Employee Costs		(2,532,551)	(2,059,582)
Depreciation, Amortisation and Impairment	4	(3,781,729)	(3,399,753)
Operating Profit Before Tax		7,887,405	3,858,693
Taxation	5	(2,137,848)	(1,162,648)
Net Profit for the Year		5,749,557	2,696,045
Total Comprehensive Income		5,749,557	2,696,045

STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 March 2015

COMPANY

	Share Capital $	Retained Earnings $	Total Equity $
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
Balance at 1 April 2014	14,571,119	56,943,437	71,514,556
Profit for the year, being total comprehensive income	-	5,749,557	5,749,557
Balance at 31 March 2015	14,571,119	62,692,994	77,264,113

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

STATEMENTS OF FINANCIAL POSITION

as at 31 March 2015

	Notes	2015 $	2014 $
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents		8,150,496	825,465
Short Term Deposits		3,503,602	9,390,324
Trade and Other Receivables	6	2,859,357	1,637,981
Inventories	9	502,179	402,568
Work in Progress		,5,523	23,323
Deferred Tax	5	164,392	136,364
TOTAL CURRENT ASSETS		15,185,549	12,416,025
NON-CURRENT ASSETS			
Property, Plant and Equipment	7	78,656,765	73,037,102
Intangible Assets	8	786,865	349,443
Inventories	9	502,260	652,204
TOTAL NON-CURRENT ASSETS		79,945,890	74,038,749
TOTAL ASSETS		95,131,439	86,454,774
LIABILITIES			
CURRENT LIABILITIES			
Trade and Other Payables	10	3,816,456	2,218,301
Employee Entitlements	11	580,941	486,777
Taxation Payable		297,744	(6,196)
TOTAL CURRENT LIABILITIES		4,695,141	2,698,882
NON-CURRENT LIABILITIES			
Loan from Waitaki Power Trust	15	1,150,000	1,150,000
Deferred Tax	5	12,022,185	11,091,336
TOTAL NON-CURRENT LIABILITIES		13,172,185	12,241,336
TOTAL LIABILITIES		17,867,326	14,940,218
EQUITY			
Share Capital	12	14,571,119	14,571,119
Retained Earnings	13	62,692,994	56,943,437
TOTAL SHAREHOLDERS' EQUITY		77,264,113	71,514,556
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		95,131,439	86,454,774

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

STATEMENTS OF CASH FLOWS

for the year ended 31 March 2015

	Note	2015 $	2014 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was Provided from:			
Receipts from Customers		25,068,500	20,084,173
Interest Received		392,989	399,455
		25,461,488	20,483,628
Cash was Disbursed to:			
Payments to Suppliers and Employees		(13,623,661)	(13,110,087)
Income Tax Paid		(931,087)	(873,121)
Net GST Paid		(35,087)	5,767
		(14,589,841)	(13,977,441)
NET CASH FROM OPERATING ACTIVITIES	14	10,871,648	6,506,187
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was Provided from:			
Proceeds of Sale of Assets		17,863	-
		17,863	-
Cash was Applied to:			
Purchase of Property, Plant and Equipment and Intangible Assets		(9,451,197)	(5.205,145)
		(9,451,197)	(5,205,145)
NET CASH FROM INVESTING ACTIVITIES		(9,433,334)	(5,205,145))
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash was Provided from:			
Repayment of Loan		-	-
Dividend from Network Waitaki Contracting Ltd		-	-
		-	-
NET CASH FROM FINANCING ACTIVITIES		-	-
NET INCREASE/(DECREASE) IN CASH HELD		1,438,314	1,301,042
Cash and Cash Equivalents at Beginning of the Year		10,215,784	8,914,742
CASH, CASH EQUIVALENTS AND DEPOSITS ON CALL AT END OF THE YEAR		**11,654,098**	**10,215,784**

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

The Parent 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.

NEW STANDARDS FIRST APPLIED IN THE PERIOD

The company 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 company is eligible and has elected to report in accordance with Tier 2 For-profit Accounting Standards (NZ IFRS RDR). In adopting NZ IFRS RDR, the company has taken advantage of a number of disclosure concessions. There were no other impacts on the current or prior year financial statements of the Company's transition to NZ IFRS RDR.

DATE OF ISSUE FOR THE FINANCIAL STATEMENTS

These financial statements have been approved for issue by the Board of Directors on 25 May 2015. 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 2013.

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.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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	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 Company'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.

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 19 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)

BASIS OF ACCOUNTING

The financial statements represent those of the amalgamated company and have been prepared on the basis of predecessor financial statements - an accounting treatment applied in business combinations for entities under common control. The predecessor financial statements include the amalgamation of the financial statements of Network Waitaki Contracting Limited and Network Waitaki Limited and the reporting of their results as a single entity as if they had existed in that form for the periods being reported. The effect of applying the predecessor financial statements basis of preparation is the same as reporting the consolidated financial statements of the group under previous group and parent reporting. There are no other changes in the accounting policies applied.

CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

New and amended standards adopted by the company

The following standards have been adopted by the Company for the first time in the current financial year.

Amendment to NZ IAS 32, 'Financial instruments: Presentation' on offsetting financial assets and financial liabilities

This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanism. The amendment did not have a significant effect on the company financial statements.

Amendment to NZ IAS 36, 'Impairment of assets', on the recoverable amount disclosures for non-financial assets

This amendment removed certain disclosures of the recoverable amount of cash-generating units which had been included in NZ IAS 36 by the issue of NZ IFRS 13.

Amendments to NZ IAS 39, Financial instruments: Recognition and measurement' on the novation of derivatives and the continuation of hedge accounting

This amendment considers legislative changes to 'over-the-counter' derivatives and the establishment of central counterparties. Under NZ IAS 39 novation of derivatives to central counterparties would result in discontinuance of hedge accounting. This amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument meets specified criteria. The Company has applied the amendment and there has been no significant impact on the financial statements as a result.

NZ IFRIC 21, 'Levies', sets out the accounting for an obligation to pay a levy if that liability is within the scope of IAS 37 'Provisions'

The interpretation addresses what the obligating event is that gives rise to the payment a levy and when a liability should be recognized. The Company is not currently subjected to significant levies so the impact on the company is not material.

Other standards, amendments and interpretations which are effective for this financial year are not material to the Company.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 Company has yet to assess IFRS 15's full impact. The Company will apply this standard from 1 April 2017.

	2015 $	2014 $

2 OPERATING REVENUE

Operating Revenue Comprises:

	2015 $	2014 $
Network	17,957,444	14,910,331
Capital Contributions	3,362,025	1,459,782
Metering	949,020	966,038
Interest	392,986	399,454
Bad Debts Recovered	4,817	2,089
Dividend Received	-	-
Rent	58,715	9,333
Contracting Revenue	3,102,315	3,261,303
Other	1,075,982	816,904
	26,903,304	**21,825,234**

3 OPERATING EXPENSES

Operating Expenses Comprise:

	2015 $	2014 $
Operating Costs	5,560,758	5,391,792
Directors' Fees	187,500	178,500
Assets Scrapped	-	367,733
Donations	84,779	77,997
Audit Fees	52,075	54,450
Other Services - PWC	49,500	13,943
Other Regulatory Audits – Other	18,497	6,080
Rent	13,300	13,300
Bad Debts Written Off	2,526	1,839
	5,974,247	**6,105,634**

4 DEPRECIATION, AMORTISATION AND IMPAIRMENT

Depreciation, Amortisation and Impairment Comprises:

	2015 $	2014 $
Buildings	38,795	66,164
Contracting Equipment	272,193	252,388
Network Reticulation System	2,299,679	2,247,954
Meters and Relays	318,535	362,245
Plant and Equipment	193,179	154,978
Fibre Network	182,308	182,308
Intangibles	254,194	133,715
	3,781,729	**3,399,753**

5 TAXATION

	2015 $	2014 $
Tax Expense for Period Made up of		
Current Taxation Expense	1,235,026	594,090
Deferred Taxation Expense	902,822	568,559
	2,137,848	**1,162,649**
Operating Surplus Before Income Tax	7,887,405	3,858,693
Prima Facie Taxation @ 28 cents	2,208,473	1,080,434
Movement in Income Tax Due to:-		
Non Deferred Tax Differences		
Non Assessable Income	(95,044)	57,939
Non Deductible Expenses	5,516	7,086
Prior Period Adjustment	18,903	17,190
	(70,625)	**82,215**
Tax Expense	**2,137,848**	**1,162,649**
Deferred Tax Movements		
Capital Contributions	(757,303)	(318,812)
Depreciation	(172,876)	(23,846)
Prior Period Adjustment	-	(17,190)
Tax Return to Provision True up – Depreciation	-	(224,945)
Other	27,357	16,236
	(902,822)	**(568,557)**
Income Tax Expense	**1,235,026**	**594,090**

	2015 $	2014 $
Imputation Credit Account		
Opening Balance	7,407,652	6,534,531
Prior Period Adjustment	-	-
Income Tax Payments During the Year	945,000	873,121
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	**8,272,084**	**7,407,652**

5 TAXATION (CONTINUED)

	Depreciation	Other	Total
	$	$	$
DEFERRED TAX LIABILITY/(ASSET)			
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**
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**
Current and Non-Current Deferred tax Liability/(Asset)			
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**
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**

6 TRADE AND OTHER RECEIVABLES

	2015	2014
	$	$
The Balance Comprises:		
Trade Receivables	2,160,089	1,360,619
Trade Receivable from Subsidiaries	-	-
Total Receivables	2,160,089	1,360,619
Other Receivables	353,365	94,577
Prepayments	258,348	130,322
GST	87,555	52,463
Balance at End of Year	**2,859,357**	**1,637,981**

Trade and Other Receivables less than 90 days old	2,835,477	1,591,267
Trade and Other Receivables greater than 90 days old	23,880	46,714
Trade and Other Receivables greater than 90 days old and impaired	-	-
	2,859,357	1,637,981

No Trade and Other Receivables were impaired in 2014 or 2015.

7 PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Network Reticulation System	Meters and Relays	Easements	Fibre Network	Contracting Equipment	Plant and Equipment	Totals
	$	$	$	$	$	$	$	$	$
Gross Carrying Amount									
At 1 April 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)	(18,185)	(631,354)
At 31 March 2014	406,680	1,660,604	85,277,925	2,716,899	136,179	2,604,400	2,472,757	1,554,872	96,830,317
Additions	-	874	5,072,527	21,967	11,077	-	270,205	343,512	5,720,163
Disposals	-	-	(383,360)	(163,693)	-	-	(295,671)	(181,559)	(1,024,284)
At 31 March 2015	406,680	1,661,478	89,967,092	2,575,173	147,256	2,604,400	2,447,292	1,716,824	101,526,196
Accumulated Depreciation and Impairment									
At 1 April 2013	-	275,587	17,837,357	1,757,928	0	454,982	677,189	669,873	21,672,916
Charge for Year	-	66,165	2,247,955	362,245	-	182,308	252,382	154,978	3,266,032
Disposals	-	-	(165,128)	(161,721)	-	-	(73,302)	(19,213)	(419,364)
At 31 March 2014	-	341,752	19,920,183	1,958,452	-	637,290	854,269	805,638	24,519,585
Charge for Year	-	38,795	2,299,679	318,535	-	182,308	272,193	193,179	3,304,689
Disposals	-	-	(160,239)	(163,693)	-	-	(291,244)	(169,168)	(786,347)
At 31 March 2015	-	380,546	22,059,624	2,113,293	-	819,598	835,214	829,650	27,037,926
Net Book Values									
At 31 March 2014	406,680	1,318,852	65,357,742	758,447	136,179	1,967,110	1,616,492	749,234	72,310,733
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	1,616,492	750,182	73,038,242
At 31 March 2015	406,680	1,280,932	67,907,468	461,880	136,179	1,784,802	1,612,078	887,175	74,486,270
Work in Progress	-	117,609	4,035,922	-	665	-	-	16,299	4,170,495
	406,680	1,398,541	71,943,390	461,880	138,341	1,784,802	1,612,078	727,067	78,656,765

8 INTANGIBLE ASSETS

	2015 $	2014 $
Purchased Software		
Gross Carrying Amount		
Opening Balance	669,047	707,958
Additions	653,130	120,266
Disposals	(57,268)	(159,177)
Closing Balance	**1,265,759**	**669,047**
Accumulated Amortisation and Impairment		
Opening Balance	319,604	197,985
Charge for Year	254,194	133,715
Disposals	(58,352)	(12,096)
Closing Balance	**516,296**	**319,604**
Net Book Value	749,463	349,443
Work in Progress	37,401	-
Carrying Amount	**786,865**	**349,443**

		2015 $	2014 $
9	**INVENTORIES**		
	CURRENT ASSET INVENTORIES		
	Contracting Inventory		
	Opening Balance	402,568	468,248
	Purchases in the Year	1,537,775	1,348,282
	Inventory sold	(1,438,164)	(1,413,962)
	Closing Inventory	502,179	402,568
	NON-CURRENT ASSET INVENTORIES		
	Network Inventory		
	Opening Balance	647,707	419,953
	Purchases in the Year	661,807	1,080,354
	Used on the Reticulation System	(812,484)	(852,600)
	Closing Inventory	497,030	647,707
	Metering Inventory		
	Opening Balance	4,497	4,757
	Purchases in the Year	46,441	35,078
	Transferred to Meters and Relays	(45,708)	(35,338)
	Closing Inventory	5,230	4,497
	Total Non-Current Inventory	502,260	652,204

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.

10 TRADE AND OTHER PAYABLES

Trade Payables	3,717,318	1,339,482
Trade Payable to Subsidiaries	-	-
Total Payables	3,717,318	1,339,482
Accruals	99,138	826,356
Balance at End of Year	**3,816,456**	**2,218,301**

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.

11 EMPLOYEE ENTITLEMENTS

Leave Entitlements	476,018	386,478
Other Entitlements	104,923	100,298
Total	**580,941**	**486,776**

12 SHARE CAPITAL

	2015 $	2014 $
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 2015 year (2014 Nil).

13 RETAINED EARNINGS

	2015 $	2014 $
Balance at Beginning of Year	56,943,437	54,247,392
Net Surplus for Year	5,749,557	2,696,045
Dividend Paid	-	-
Balance at End of Year	**62,692,994**	**56,943,437**

14 RECONCILIATION OF NET PROFIT WITH CASHFLOW FROM OPERATING ACTIVITIES

	2015 $	2014 $
Net Profit for the Year	5,749,557	2,696,045
Add/(Less) Non-Cash Items:		
Depreciation and Amortisation	3,781,729	3,399,753
Assets Scrapped	-	367,733
Movement in Foreign Exchange	(255,534)	-
Dividend from Network Waitaki Contracting	-	-
Deferred Taxation	902,822	568,559
	4,429,017	4,336,045
	10,178,574	7,032,090
Add/(less) Movements in Working Capital Items:		
(Increase) / Decrease in Trade and Other Receivables	(1,221,376)	(64,859)
(Increase) / Decrease in Inventories	(99,610)	65,680
(Increase) / Decrease in Work in Progress	17,800	(343,185)
Increase / (Decrease) in Tax Payable	303,940	(279,031)
Increase / (Decrease) in Trade and Other Payables	1,598,156	24,334
Increase / (Decrease) in Employee Entitlements	94,164	71,158
	693,074	(525,903)
Net Cash Flows From Operating Activities:	**10,871,648**	**6,506,187**

	2015	2014
	$	$

15 LOAN FROM WAITAKI POWER TRUST

	2015 $	2014 $
Opening Balance at 1 April 2014	1,150,000	1,150,000
Amount Drawn Down through to 31 March 2015	-	-
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 2015 (2014 NIL)

17 RELATED PARTY TRANSACTIONS

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	234,080	222,921
Outstanding Balance at Balance Date		
Trade Payables	30,771	8,093

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	8,016	2,797

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	73,104	67,850
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 Company to key management personnel

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

Salaries	833,602	710,732
Outstanding Balance at Balance Date	-	-

18 ANALYSES OF FINANCIAL LIABILITIES

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	$219,000	$1,831,240
Trade and Other Payables	$3,816,456			

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.

19 OPERATING LEASES

	2015 $	2014 $
LESSORS - OPERATING LEASES		
No later than one year	437,000	451,015
Later than one year and no later than five years	1,750,000	1,804,060
	2,187,000	2,255,075

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:

	2015 $	2014 $
No later than one year	406,500	552,856
Later than one year and no later than five years	1,626,000	1,693,780
	2,032,500	2,246,636

20 CONTINGENT LIABILITIES

The Company has no contingent liabilities as at 31 March 2015 (2014 Nil).

21 AMALGAMATION

Network Waitaki Limited amalgamated with Network Waitaki Contracting Limited on 31 March 2015.

The amalgamation included the amalgamation of the assets and liabilities, financial obligations and commitments of Network Waitaki Contracting Limited with those of Network Waitaki Limited. The assets and liabilities of Network Waitaki Contracting Limited were amalgamated at their book values and for nil consideration. The retained earnings are transferred to the retained earnings and share capital cancelled. There were no gains or losses arising from the amalgamation other than as reflected in the net earnings.

The assets and liabilities of Network Waitaki Contracting Limited that were amalgamated on 31 March 2015 are as follows:

STATEMENT OF FINANCIAL POSITION – NWCL

as at 31 March 2015

	Note	2015 $	2014 $
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents		946,858	775,247
Trade and Other Receivables	4	1,457,345	713,806
Inventories	5	502,178	402,568
Work in Progress		1,319	19,196
Property, Plant and Equipment	7	1,787,332	-
Intangible Assets	6	14,463	-
Deferred Tax Assets	3	100,385	90,756
TOTAL CURRENT ASSETS		**4,809,879**	**2,001,573**
NON-CURRENT ASSETS			
Property, Plant and Equipment	7	-	1,785,833
Intangible Assets	6	-	24,671
TOTAL NON-CURRENT ASSETS		**-**	**1,810,504**
TOTAL ASSETS		**4,809,879**	**3,812,077**
LIABILITIES			
CURRENT LIABILITIES			
Deferred Tax Liabilities	3	28,464	17,113
Trade and Other Payables	8	1,069,401	538,370
Employee Entitlements	9	350,565	319,328
TOTAL CURRENT LIABILITIES		**1,448,430**	**874,811**
TOTAL LIABILITIES		**1,448,430**	**874,811**
EQUITY			
Share Capital	11	1,000,000	1,000,000
Retained Earnings	12	2,361,449	1,937,265
TOTAL SHAREHOLDERS EQUITY		**3,361,449**	**2,987,375**
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY		**4,809,879**	**3,812,076**

PERFORMANCE TARGETS

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 2015			
	ACTUAL	SCI	VARIANCE
Statement of Comprehensive Income	**$**	**$**	**$**
Operating Revenue	23,541,278	18,692,168	4,849,110
Operating Expenses	(13,432,407)	(9,906,723)	(3,525,684)
Operating Profit	**10,108,871**	**8,785,445**	**1,323,426**
Less Depreciation	(3,781,729)	(3,682,680)	(99,049)
Net Profit from Operational Activities	6,327,142	5,102,765	1,224,377
Other Income	-	-	-
Operating Profit after Other Income	**6,327,142**	**5,102,765**	**1,224,377**
Less Discount	(1,728,625)	(1,500,000)	(228,625)
Operating Profit after Discount	**4,598,517**	**3,602,765**	**995,752**
Interest Expenses	(73,138)	(68,125)	(5,013)
Operating Profit after Interest Income & before Tax	4,525,379	3,634,640	890,739
Taxation	(2,137,848)	(817,794)	(1,320,054)
Net Profit after Taxation and before Capital Contributions	**2,387,531**	**2,816,846**	**(429,315)**

Comment

The higher Net Profit after taxation represents higher operating profit due to the number of units transported through the network.

BALANCE SHEET AS AT 31 MARCH 2015			
	ACTUAL $	SCI $	VARIANCE $
Shareholders' Equity	77,264,113	74,211,221	3,052,892
Current Assets	15,185,549	8,870,920	6,314,629
Current Liabilities	4,695,141	2,698,983	(1,996,158)
Working Capital	10,490,408	6,171,937	4,318,471
Non-Current Assets	79,945,890	80,631,373	(685,483)
Non-Current Liabilities	13,172,185	12,592,089	(580,096)
	66,773,705	68,039,284	(1,265,579)
Net Assets	77,264,113	74,211,221	3,052,892

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

FINANCIAL PERFORMANCE MEASURES (CONTINUED)

KEY FINANCIAL REPORTING MEASURES	ACTUAL	SCI	VARIANCE
NPBT to Shareholder' Funds	10.11%	4.96%	5.15%
Net Assets per Share	$5.51	$5.30	$0.27
NPBT Earnings per Share in cents	56.34 Cents	25.96 Cents	30.38 Cents
Ratio of Shareholders' Funds to Total Assets	81.22%	82.92%	(1.70%)
Network Operating Cost per ICP	$404.00	$377.72	$26.28
Direct Line Cost per Circuit km of Line	$1,931.49	$1,944.45	($12.96)

Comment

The higher than planned net assets per share are a result of more units being transported through the network and lower ratio of shareholders' funds to total assets are the result of the capital programme being changed. The NPBT earnings per share has increased due to the amount of customer work undertaken and the capital contributions received.

NON-FINANCIAL PERFORMANCE MEASURES

	ACTUAL	SCI	VARIANCE
Average Interruption Duration (SAIDI)	51.07	116.50	65.43
Average Interruption Frequency (SAIFI)	1.10	1.54	0.44
Customer Average Interruption Duration (CAIDI)	46.60	75.64	29.04

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'S
FINANCIAL STATEMENTS AND STATEMENT OF SERVICE PERFORMANCE
FOR THE YEAR ENDED 31 MARCH 2015

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 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 15 to 37, that comprise the statement of financial position as at 31 March 2015, 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 of the company on pages 38 to 39.

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 2015; and
    - its financial performance and cash flows for the year then ended; and
  - have been prepared in accordance with NZ IFRS Reduced Disclosure Regime.

Disclaimer of opinion on the SAIDI and SAIFI 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 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's achievement against the SAIDI and SAIFI 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 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 information, of which the outage and ICP data are integral elements, in the company's performance targets gives a true and fair view of 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 and SAIFI performance measures adopted for the year ended 31 March 2015 which are reflected in the statement of service performance of the company on page 39:

- comply with generally accepted accounting practice in New Zealand; and
- give a true and fair view of the company's achievements measured against the SAIDI and SAIFI performance targets adopted for the year ended 31 March 2015.

Attention is drawn to the fact that we issued a disclaimer of opinion on the company's 31 March 2014 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's achievement against the SAIDI and SAIFI 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 and SAIFI 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 2015 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 and SAIFI performance measures) in the statement of service performance:

- comply with generally accepted accounting practice in New Zealand; and
- give a true and fair view of the company's achievements measured against the performance targets adopted for the year ended 31 March 2015.

Our audit was completed on 5 June 2015. 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 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 statement of service performance. 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 statement of service performance. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and 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 adequacy of all disclosures in the financial statements and statement of service performance; and
- the overall presentation of the financial statements and statement of service performance.

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

We believe we have obtained sufficient and appropriate audit evidence to provide a basis for our unmodified opinion on the company's financial statements and the other performance measures in the statement of service performance, however as noted in the disclaimer above we have not received all the information and explanations that we have required to form an opinion on the SAIDI and SAIFI performance measures in the statement of service performance.

Responsibilities of the Board of Directors

The Board of Directors is responsible for the preparation and fair presentation of financial statements and a statement of service performance for the company, in accordance with NZ IFRS Reduced Disclosure Regime and generally accepted accounting practice.

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

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

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and statement of service performance 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.

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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, Electricity Distribution Services Default Price-Quality Path Determination 2012, other regulatory requirements of the Commerce Act 1986, 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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