EA networks

ANNUAL REPORT

FOR THE YEAR ENDED 31 MARCH 2015

EA networks

2015 Annual Report

Contents

Board of Directors:

John Tavendale (Chairman)
Gary Leech (Deputy Chairman)
Bruce McPherson
Murray Frost
Phil McKendry
Ray Davy

Shareholders Committee:

Ian Cullimore (Chairman)
Anne Marett
Bev Fraser
Chris Robertson
David Ward
Jim Lischner
Sandra Curd

Management:

General Manager	Gordon Guthrie
Network Manager	Brendon Quinn
Contracting Manager	Wayne Watson
Commercial Manager	Jeremy Adamson
Finance Manager	Mark Lester

Office:

EA Networks
Private Bag 802
22 JB Cullen Drive
Ashburton Business Estate
Ashburton

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DIRECTORS' REPORT

PRINCIPAL ACTIVITIES

EA Networks principal activities are:

- Development, operation and maintenance of an electricity distribution and communication network.
- Contracting electrical construction and maintenance services for distribution networks and end users.
- Investment in other infrastructural assets such as:
    - Water
    - Energy utilisation enhancement projects
    - Communication Network

ANNUAL RESOLUTION (Section 10 of Co-operative Companies Act 1996)

The Directors of EA Networks unanimously resolved on 17 June 2015 that in the opinion of the Directors for the year ended 31 March 2015, Electricity Ashburton has been a Co-operative Company.

The terms of the resolution were:

1. Shareholders of the Company were transacting shareholders during the financial year taking into account provisions of the Electricity Act 2010.

2. The Company has throughout the financial year been carrying on a co-operative activity as defined in the Co-operative Companies Act 1996.

CORPORATE GOVERNANCE

Role of the Shareholders Committee

The Shareholders Committee has four members directly elected by rebate shareholders (Consumers) and three members appointed by the deferred shareholder, the Ashburton District Council. The specific duties of the Shareholders Committee are to: appoint the Directors of the Company, receive the annual Statement of Corporate Intent and to report on a regular basis to shareholders on the performance of the Company.

Role of the Board

The Board of Directors is appointed by the Company's Shareholders Committee to provide the essential link between shareholders and management.

The Board directs the affairs of the Company and supervises the management of the business. Their prime responsibility is setting the strategic direction of the Company, establishing goals and monitoring performance with a view to enhancing the prosperity of the Company and its shareholders over time.

The Board discharges this responsibility through effective leadership, by enabling and encouraging an environment for innovation and being responsive to the need for "change".

The Board seeks to maintain a balance between conformance and performance, dynamic strategic leadership, and to ensure governance best practice systems, procedures, policies and guidelines are in place.

Board evaluation process

The Board carries out a structured Director and Board evaluation process on a periodic basis.

Role of the Board (Continued)

Board operation
The operation of the Board is governed by the Company's constitution and the Board's code of conduct.

The Board Chairman is elected by board members and has a leadership role in the conduct of the board and its relationship with the shareholders committee and the Company's other major stakeholders. The Chairman maintains a professional relationship with the Company's General Manager, and through him, the Company's management team.

Board meetings
The Board meets a minimum of 8 times a year. Additional meetings are convened as and when required.

Directors receive a formal agenda and regular papers in advance of meetings.

Executive managers are regularly involved in board discussions. Directors also have other opportunities to gain information and expert advice in relation to the Company and its operation.

Board Committees

Audit Committee:
The Audit Committee comprises the whole board and is chaired by Mr G.R. Leech B.Com, FCA, AFInstD. It meets periodically with the Company's external auditors and reviews with management the financial statements and accounting policies, the effectiveness of management information and other systems of internal control.

Remuneration Committee:
The Remuneration Committee is Messrs J Tavendale, P McKendry and B McPherson. It seeks external advice as required to ensure that the senior executives are fairly rewarded for their individual contribution to the Company's performance.

DIRECTORS

At the 2014 Annual General Meeting Messrs R Davy and B McPherson retired by rotation. It was the unanimous decision of the Shareholders Committee to reappoint Messrs R Davy and B McPherson for a further three year term.

DIRECTORS' REMUNERATION

Directors, who held office during the year, received the following remuneration for their services:

J B Tavendale (Chairman)	65,622	P J McKendry	32,811
G R Leech (Deputy Chairman)	39,374	R J Davy	32,811
B R McPherson	32,811	M W Frost	32,811
Total			**236,240**

INTERESTS REGISTER

Directors' Interests

The Company maintains an interest's register in which particulars of certain transactions and matters involving Directors must be recorded. EA Networks Directors may also be Director, Trustee or members of other organisations who transact with the Company from time to time on normal trade/commercial terms. There were no material transactions recorded in the Directors interest register during the accounting period.

Role of the Board (Continued)

Interested Transactions
No material transactions involving Directors' interests were entered into during the financial year.

Directors' Indemnity and Insurance
The Company has indemnified directors and employees against all liabilities to persons (other than the Company) which arise out of the performance of their normal duties as director or executive officer unless the liability relates to conduct involving a lack of good faith or criminal offense. Directors and officers liability insurance to a value of $10 million has been affected to cover such risks.

EMPLOYEE REMUNERATION
The number of employees whose total remuneration including non-cash benefits was over $100,000 during the year ended 31 March 2015 are specified in the following bands:

Band	Number of staff in band	Band	Number of staff in band
$100,000 - $110,000	7	$140,000 - $150,000	1
$110,000 - $120,000	7	$150,000 - $160,000	2
$120,000 - $130,000	2	$200,000 - $210,000	1
$130,000 - $140,000	5	$310,000 - $320,000	1

A number of executive employees also receive the use of a Company motor vehicle.

USE OF COMPANY INFORMATION
During the year, the Board did not receive any notices from Directors requesting the use of Company information, received in their capacity as Directors, which could not otherwise have been available to them.

DONATIONS
There were no donations made during the financial year.

AUDIT FEES AND OTHER SERVICES
Details of audit fees and other services are as follows:

	2015	2014
Financial audit	$33,000	$31,000
Regulatory audits	$30,573	$47,775
Regulatory consulting	$18,569	$16,474

LOANS OR GUARANTEES
There were no loans made or guarantees given by the Company to Directors or their associates.

Financial Statements
The owners of EA Networks or others have no power to amend the financial statements after issue.

For and on behalf of the Board

DIRECTOR
DATE: 17 June 2015

DIRECTOR

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2015

	Notes	2015 $000	2014 $000
Operating Revenue	2	46,831	41,831
Less			
Operating Expenses	3	(20,150)	(15,738)
Interest and Associated Costs	4	(5,144)	(3,166)
Depreciation and Amortisation	5	(9,446)	(9,126)
		(34,740)	(28,030)
Operating Surplus before share of Joint Venture, Customer Deferred Discount and Taxation		12,091	13,801
Preferential right to income from the BCI Joint Venture	16	1,381	1,200
Share of BCI Joint Venture loss for the year	16	(951)	(713)
Operating Surplus before Customer Deferred Discount and Taxation		12,521	14,288
Customer Deferred Discount		(4,498)	(4,194)
Operating Surplus before Taxation		8,023	10,094
Taxation	6	(2,345)	(2,766)
Operating Surplus after Taxation		5,678	7,328
Other Comprehensive Income			
JV Revaluation Reserve	6 & 16	1,308	0
Total Comprehensive Income		6,986	7,328

STATEMENT OF CHANGES IN EQUITY AND MEMBERS' INTERESTS
FOR THE YEAR ENDED 31 MARCH 2015

		JV Revaluation reserve $000	Equity $000	Members' Interests $000	Total $000
BALANCE AS AT 1 APRIL 2013		0	123,901	1,316	125,217
Comprehensive Income:					
Operating Surplus after Taxation		0	7,328	0	7,328
Transactions with Owners:					
Shares Issued		0	0	111	111
Shares Repaid		0	0	(92)	(92)
		0	0	19	19
BALANCE AS AT 31 MARCH 2014		0	131,229	1,335	132,564
BALANCE AS AT 1 APRIL 2014		0	131,229	1,335	132,564
Comprehensive Income:					
Operating Surplus after Taxation		0	5,678	0	5,678
JV Revaluation Reserve	6 & 16	1,308	0	0	1,308
		1,308	5,678	0	6,986
Transactions with Owners:					
Shares Issued		0	0	116	116
Shares Repaid		0	0	(148)	(148)
		0	0	(32)	(32)
BALANCE AS AT 31 MARCH 2015		1,308	136,907	1,303	139,518

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2015

	Notes	2015 $000	2014 $000
EQUITY AND MEMBERS' INTERESTS:			
Deferred Shares	7	31,484	31,484
Retained Earnings	8	106,731	99,745
Total Equity		138,215	131,229
Rebate Shares	7	1,303	1,335
TOTAL EQUITY AND MEMBERS' INTERESTS		**139,518**	**132,564**
REPRESENTED BY:			
CURRENT ASSETS:			
Cash and Cash Equivalents	9	184	0
Inventories	10	5,461	4,615
Trade and Other Receivables	11	7,262	6,536
Derivative Financial Instruments	17	47	0
Total Current Assets		**12,954**	**11,151**
NON-CURRENT ASSETS:			
Intangibles	12	438	468
Naming Rights to EA Networks Centre	13	1,000	1,000
Property, Plant, and Equipment	14	224,864	219,037
Investment Property	15	963	1,166
Investment in the BCI Joint Venture	16	10,821	7,355
Derivative Financial Instruments	17	97	653
Total Non-Current Assets		**238,183**	**229,679**
TOTAL ASSETS		**251,137**	**240,830**
CURRENT LIABILITIES:			
Cash and Cash Equivalents	9	0	111
Current Income Tax Liabilities		315	673
Trade and Other Payables	18	4,054	2,934
Employee Entitlements	19	1,755	1,726
Deferred Income Tax Liabilities	6	603	183
Derivative Financial Instruments	17	0	45
Total Current Liabilities		**6,727**	**5,672**
NON-CURRENT LIABILITIES:			
Deferred Income Tax Liabilities	6	22,672	21,944
Borrowings	20	81,950	80,650
Derivative Financial Instruments	17	270	0
Total Non-Current Liabilities		**104,892**	**102,594**
TOTAL LIABILITIES OTHER THAN REBATE SHARES		**111,619**	**108,266**
TOTAL NET ASSETS		**139,518**	**132,564**

For and on behalf of the Board

DIRECTOR **DIRECTOR**

17 June 2015

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2015

	Notes	2015 $000	2014 $000
CASH FLOWS FROM OPERATING ACTIVITIES :			
Cash was Provided from:			
Receipts from Customers		46,078	41,860
Insurance Proceeds		0	100
Receipts from Interest		24	27
Net GST Movement		0	5
		46,102	41,992
Cash was Applied to:			
Payments to Suppliers & Employees		(19,046)	(15,898)
Customer Deferred Discount		(4,382)	(4,088)
Interest Paid		(4,228)	(3,938)
Net GST Movement		(55)	0
Taxation Paid		(2,057)	(1,520)
		(29,768)	(25,444)
Net Cash Flows from Operating Activities	**21**	**16,334**	**16,548**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Cash was Provided from:			
Preferential right to income from the Joint Venture		1,381	1,200
Sale of Property, Plant and Equipment		151	134
		1,532	1,334
Cash was Applied to:			
Investment in Property, Plant and Equipment		(16,123)	(17,626)
Investment in BCI/EAL Joint Venture		(2,600)	0
Purchase of Naming Rights to EA Networks Centre		0	(1,000)
		(18,723)	(18,626)
Net Cash Flows From Investing Activities		**(17,191)**	**(17,292)**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Cash was Provided from:			
Bank Loans – Borrowings		1,300	700
		1,300	700
Cash was Applied to:			
Purchase of Shares from Owners		(148)	(92)
		(148)	(92)
Net Cash Flows From Financing Activities		**1,152**	**608**
NET INCREASE (DECREASE) IN CASH HELD		**295**	**(136)**
Cash and Cash Equivalents at start of year		(111)	25
Cash and Cash Equivalents at end of year		**184**	**(111)**

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF ACCOUNTING POLICIES

PROFIT-ORIENTED

EA Networks is the trading name for Electricity Ashburton Limited, a profit-oriented Co-operative Company registered under the Co-operative Companies Act 1996 and domiciled and incorporated in New Zealand.

STATEMENT OF COMPLIANCE

The financial statements of EA Networks have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP).

The financial statements comply with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and IFRS, and other applicable reporting standards as appropriate for a Co-operative Company and a profit-oriented Company.

The Company has adopted External Reporting Board Standard A1 Accounting Standards Framework (For-profit Entities Update) ('XRB A1') for the year ended 31 March 2015. The Company meets the criteria of a Tier 1 entity under XRB A1 and is reporting in accordance with Tier 1 For-profit Accounting Standards. EA Networks has previously applied full NZ IFRS in its financial statements which continues to be a requirement for Tier 1 entities. Thus, adopting Tier 1, for-profit entities, has not changed the Company's recognition and measurement accounting policies.

EA Networks is a for profit Tier 1 reporting entity under the New Zealand accounting standard framework.

The financial statements are for Electricity Ashburton Limited trading as EA Networks as a separate legal entity.

PRINCIPAL ACTIVITIES

EA Networks' principal activities are:

- Development, operation and maintenance of an electricity distribution and communication network.
- Contracting, electrical construction and maintenance services for distribution networks and end users.
- Investment in other infrastructural assets such as water, energy utilisation enhancement projects and communication network.

All operations are conducted in New Zealand.

ADDRESS OF REGISTERED OFFICE

22 JB Cullen Drive
Ashburton Business Estate
Ashburton 7772

FUNCTIONAL AND PRESENTATION CURRENCY

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

MEASUREMENT BASE

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain assets as identified in specific accounting policies below.

USE OF ESTIMATES AND JUDGEMENTS

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in future periods affected.

Information about significant areas of estimated uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

Property, Plant and Equipment

Network reticulation assets depreciation rates reflect the depreciation rates in the ODV handbook issued by the Commerce Commission in 2004.

Easements are recorded at cost and expensed in the period they are paid.

Borrowings

Borrowings are initially measured at fair value plus transaction costs.

Derivatives Financial Instruments

The Company enters into SWAPS and CAPS contracts to manage its exposure to Interest rate movements.

Derivatives are initially recognised at fair value on the date a derivate contract is entered into and are subsequently re-measured to their fair value at the end of each quarter. The resulting gain or loss is recognised in the Statement of Comprehensive Income immediately. The Company has not adopted hedge accounting. Further details of derivative financial instruments are disclosed in note 17.

NOTE 1 SUMMARY OF ACCOUNTING POLICIES (continued)

SPECIFIC ACCOUNTING POLICIES

PROPERTY, PLANT AND EQUIPMENT

EA Networks has the following classes of property, plant and equipment:

- Network Reticulation Assets
- Buildings
- Land
- Motor Vehicles
- Plant
- Office Furniture & Equipment
- Communication Network

Property plant and equipment purchased prior to 1 April 2006 are shown at 'deemed cost' less subsequent depreciation, and impairment write-down. Property plant and equipment purchase after 1 April 2006 is recorded at the value of the consideration given to acquire and/or construct the assets, plus the value of other directly attributable costs which have been incurred in bring the assets to the location and condition necessary for their intended service, less subsequent depreciation and impairment write-down.

From 1 April 2013 the value of consideration given to acquire and construct property plant and equipment is net of capital contributions. Prior to 1 April 2013 the value of consideration given to acquire and construct property plant and equipment excluded any capital contribution.

Network Reticulation Assets comprises mainly 22kV and 66kV conductor, associated transformers and substations. Reticulation assets are shown at deemed cost less subsequent depreciation and impairment write down.

Communication Network Assets are stated at cost less depreciation. Cost includes expenditure that is directly attributable to the acquisition of the items.

Land is stated at cost.

Buildings, Plant and Equipment are stated at cost less accumulated depreciation. Cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation has been provided on all Property, Plant and Equipment other than freehold Land on the following basis and at the following rates, which amortise the cost of the asset over their economic lives.

	Item	Rate	Method
•	Network Reticulation Assets	1.43% to 6.67%	Straight line
•	Communication Network	3.00% to 17.50%	Straight line
•	Buildings-concrete	1.00%	Straight line
	-brick	2.00%	Straight line
	-wooden	2.50%	Straight line
•	Motor Vehicles	14.40% to 31.20%	Diminishing value
•	Plant and Equipment	7.50% to 60.00%	Diminishing value
•	Other	4.80% to 12.00%	Diminishing value

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date.

Capitalisation of qualifying assets

Qualifying assets are property, plant and equipment and intangible assets whose construction period is greater than 9 months.

When funds have been specifically borrowed for the construction of qualifying assets, the borrowing costs incurred during the qualifying period less any investment income on temporary investment of the borrowing is capitalised.

When funds have been generally borrowed for qualifying and non-qualifying assets, the weighted average cost of borrowing for the construction period of qualifying assets is used.

IMPAIRMENT

If the recoverable amount of an item of property, plant and equipment is less than the carrying amount, the item is written down to its recoverable amount. The write down of an item recorded at historical cost is recognised as an expense in the statement of comprehensive income. When a revalued item is written down to recoverable amount, the write down is recognised as a downward revaluation to the extent of the corresponding revaluation reserve, and any balance is recognised in the statement of comprehensive income.

NOTE 1 SUMMARY OF ACCOUNTING POLICIES (continued)

PROPERTY, PLANT AND EQUIPMENT (Continued)

The carrying amount of an item of property, plant and equipment that has previously been written down to recoverable amount is increased to its current recoverable amount if there has been a change in the estimates used to determine the amount of the write down. The increased carrying amount of the item will not exceed the carrying amount that would have been determined if the write down to recoverable amount had not occurred.

Reversals of impairment write downs are recognised in the statement of comprehensive income.

Other Assets
Other assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the asset, that the future cash flows of the asset have been impacted. The carrying amount of the asset is reduced by the impairment loss and this loss is recognised as an expense in the statement of comprehensive income.

INTANGIBLES
Intangible assets mainly consist of software which is shown at cost less amortisation. Amortisation of software is charged on a diminishing value base from 40% to 60%. Intangible assets which are not amortised over their useful life are assessed annually for impairment.

CAPITAL AND OPERATING EXPENDITURE

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

Operating expenditure is that expenditure incurred in maintaining and operating the property, plant and equipment of the Company.

Capital Work In Progress is stated at cost and is not depreciated. It includes an accrual for the proportion of work completed at the end of the year.

ASSETS HELD FOR SALE
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.

INVESTMENT PROPERTY
Investment properties are stated at cost less accumulated depreciation. Cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation has been provided for on all Investment Properties other than freehold Land on the following basis and at the following rates, which amortise the cost of the asset over their economic lives.

	Item	Rate	Method
•	Buildings	1.00% to 2.50%	Straight line
•	Fixtures and Fittings	10.00% to 40.00%	Diminishing value

NAMING RIGHTS
Naming rights are stated at cost less accumulated amortisation.

The rights are amortised over the contractual period of the naming right agreement.

	Naming Right	Period
•	EA Networks Centre	15 Years from the date that the Council officially opens the project.

DIVIDENDS
When necessary 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. Dividend distribution 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 Company's directors. No dividends were declared in 2015 or 2014.

NOTE 1 SUMMARY OF ACCOUNTING POLICIES (continued)

INCOME TAX

The income tax charged to the statement of comprehensive income includes both the current year's provision on the taxable income based on the income tax rate and the deferred tax effect attributed to temporary differences between the tax loss of assets and liabilities and their carrying amounts in the financial statement and to unused tax losses.

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the probable profit or tax loss for the period. It is calculated using the rates and laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability or asset to the extent that it is unpaid or refundable.

Temporary differences arising from transactions, other than business combinations, affecting neither accounting profit nor taxable profit are ignored.

Current and deferred tax is recognised as an expense, or income, in the statement of comprehensive income except when it relates to items credited or debited directly to equity, in which case the deferred tax or current tax is also recognised directly in equity.

Tax effect accounting is applied on a comprehensive basis to all timing differences using the liability method. A deferred tax asset is only recognised to the extent that it is probable there will be future taxable profits to utilise the temporary differences.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the periods when the asset and liability giving rise to them are realised or settled, based on the rates and tax laws that have been enacted or substantively enacted by reporting date.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax asset and liabilities on a net basis.

GOODS AND SERVICES TAX (GST)

The statement of comprehensive income has been prepared so that all components are stated exclusive of GST. All items in the balance sheet are stated net of GST, with the exception of receivables and payables, which include GST invoiced.

EMPLOYEE BENEFITS

Employee benefits are allocated into:

(a) Wages and salaries, annual leave, long service leave.
Liabilities for wages, salaries and annual leave expected to be settled in the next 12 months of reporting date are recognised in other payables at the amount expected to be paid when the liabilities are settled.

Liability for long service leave is the actual cost of the benefit for employees who have this leave due and is apportioned on the number of years' service to the first qualifying period at the employee's ordinary rate of pay.

(b) Gratuity
Gratuities are payable when a qualifying employee elects to retire. The Company recognises the liability when an employee reaches the minimum length of service and apportions the entitlement in the reporting year based on length of service, age and the current age eligibility, in these accounts.

FINANCIAL INSTRUMENTS

The Company has financial instruments which are classified in the following categories: financial assets at fair values through the statement of comprehensive income, loans and receivables and financial liabilities at amortised cost.

Financial instruments are recognised in the balance sheet when the Company becomes party to a financial contract. They include cash and cash equivalents, bank overdrafts, receivables, derivatives and payables and term borrowings.

Cash and Cash Equivalents

Reflects the balance of cash and liquid assets used in the day to day cash management of the Company (loans and receivables).

Trade Receivables

Trade and other receivables are recognised initially at fair value and subsequently at amortised cost less provision for doubtful debts. 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. Except for a few customers with extended credit terms, the resulting carrying amount for receivables is not materially different from realisable value (loans and receivables).

Trade Payables

This amount represents liability for goods and services provided to the Company prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition (financial liabilities at amortised cost).

Trade payables are initially recognised at fair value and subsequently at amortised cost using the effective interest method.

NOTE 1 SUMMARY OF ACCOUNTING POLICIES (continued)

Other Financial Assets or Liabilities
The Company is also party to financial instruments to meet financing needs and to reduce exposure to fluctuations in foreign currency exchange rates. These financial instruments include bank overdraft facilities, derivatives, contractors bonds and foreign currency forward exchange contracts.

Interest rate swaps and caps are included as ‘derivative financial instruments’ on the statement of financial position and classified as movements in derivatives associated with financing through the statement of comprehensive income.

Borrowings
Borrowings are initially recognised at fair value plus transaction costs incurred, and are subsequently recorded at amortised cost.

Borrowings are recognised as current liabilities unless the Company has an unconditional right to defer settlement of the liability at least 12 months after balance date (financial liabilities at amortised cost).

The Company has borrowings with Westpac Banking Corporation and the Bank of New Zealand, all of which are secured by a negative pledge over assets.

INVENTORIES
Inventories are recognised at the lower of cost, determined on a weighted average cost basis, and net realisable value.

The cost of work in progress and finished goods includes the cost of direct materials.

REVENUE RECOGNITION

Sale of Goods and Services
Revenue from the sale of goods and services is recognised in the statement of comprehensive income when the significant risks and rewards of ownership have been transferred to the customer. 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.

Customer Contributions
Contributions from customers in relation to the construction of new lines and connection charges for the network have been accounted for as income in the year the Company completes the actual work prior to 1 April 2014. From the 1 April 2014 capital contributions received from customers have been offset against the cost of the electricity reticulation networks property plant and equipment.

Other Income
Interest is recognised using the effective interest method.

Rental income is recognised in accordance with the substance of the relevant agreements.

Revenues from lines, sales of services, contracting and network contributions are recognised in the accounting period in which the service is provided.

Foreign Currency Translation – Transactions and Balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income, except where deferred in equity as qualifying cash flow hedges.

Foreign currency monetary items at balance date are translated at the exchange rate in effect at the balance date.

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 statement of comprehensive income on a straight-line basis over the period of the lease.

Joint Venture
The Company’s interests in jointly controlled entities are accounted for using the equity method. The Joint Venture accounting policy has been changed where necessary to ensure consistency with the policies adopted by the Company.

NOTE 1 SUMMARY OF ACCOUNTING POLICIES (continued)

New Standards and Interpretations not yet adopted

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

NZ IFRS 9 Financial Instruments (effective for annual reporting periods beginning on or after 1 January 2015):
This standard replaces the parts of NZ IAS 39 Financial Instruments: Recognition and Measurement that relates to the classification and measurement of financial instruments.

All financial assets are required to be classified into two measurement categories: at fair value and at amortised cost. The determination is based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

For financial liabilities, the standard retains most of the NZ IAS 39 requirements. An additional presentational requirement has been added for liabilities designated at fair value through profit and loss. Where the fair value option is taken, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income. The Company does not have any financial liabilities designated at fair value through profit or loss.

The Company does not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 31 March 2016.

Changes in Accounting Policies

Other than those due to new standards or amendments and the treatment of capital contributions there have been no changes in accounting policies. All policies have been applied on bases consistent with those used in the prior year.

Note		2015 $000	2014 $000
2	**Operating Revenue**		
	Line Services	41,519	36,998
	Connection Fees	526	442
	Communication Network Revenue	755	654
	Rental Property	309	265
	Other income including contracting revenue	3,698	3,445
	Interest Income	24	27
		46,831	**41,831**
3	**Operating Expenses**		
	Transmission Costs	8,105	5,640
	Employee Benefit Costs*	5,019	4,737
	Distribution System Maintenance	2,383	2,375
	Harmonics Incentive	847	0
	Directors Fees	236	224
	Shareholder Committee Fees	52	52
	Bad debts written off	5	40
	Rental & Operating Lease Payments	35	41
	Audit Fees – PWC	33	31
	Audit Fees – Regulatory Disclosures	49	48
	Regulatory Consulting - PWC	17	16
	Loss on Sale of Property, Plant and Equipment	763	292
	Other operating expenses including contracting activities	2,606	2,242
		20,150	**15,738**

*Includes all employee benefit cost nets of internal labour charged to: capital, network maintenance and faults. The total wages, salaries and benefits excluding FBT paid to employees in 2015 was $9.3 million (2014: $9.3 million).

Note		2015 $000	2014 $000
4	**Interest and Associated Cost**		
	Interest Expense on loans	3,800	3,349
	Capitalised Interest	0	0
	Bank Fees Associated with Financing	610	660
	Movements in Derivatives Associated with Financing	734	(843)
		5,144	**3,166**
5	**Depreciation and Amortisation**		
	Depreciation:		
	Network Reticulation Assets	6,457	6,026
	Buildings	612	667
	Motor Vehicles	724	607
	Plant and Equipment	415	509
	Office Equipment	159	174
	Communication Network	996	974
	Investment Property	23	26
	Amortisation	60	143
		9,446	**9,126**
6	**Taxation**		
	Tax Reconciliation:		
	Operating surplus before taxation	8,023	10,094
	Prima Facie taxation at 28%	2,246	2,826
	Movements in Tax Due to:-		
	Permanent Differences		
	Non-Assessable Income	(32)	(96)
	Non-Deductible Expenses	131	36
	Tax Expenses	99	(60)
		2,345	2,766
	Timing Differences		
	Depreciation	(737)	(629)
	Capital Contributions	61	44
	Other	37	(288)
	Deferred Tax	(639)	(873)
	Current Taxation charge for the Year	1,706	1,893

Note		2015 $000		2014 $000
6	**Taxation (continued)**			
	Comprising			
	Current Taxation	1,706		1,893
	Deferred Taxation	639		873
		2,345		2,766

	Before tax	Tax expense	Net of tax
Tax recognised in other comprehensive income			
2014	0	0	0
	0	0	0
2015			
JV Asset revaluation	1,817	(509)	1,308
	1,817	**(509)**	**1,308**

	2015 $000	2014 $000
Imputation Credit Account		
Opening balance	16,699	15,179
Income Tax Paid During the Year	2,057	1,520
Closing Balance	**18,756**	**16,699**

Deferred Tax Account	Depreciation	Capital Contributions	Other	Total
Opening Balance as at 1 April 2013	20,888	415	(49)	21,254
Change in the Year	629	(44)	288	873
Closing Balance as at 31 March 2014	**21,517**	**371**	**239**	**22,127**
Opening Balance as at 1 April 2014	21,517	371	239	22,127
Movement shown in tax expense	737	(61)	(37)	639
Movement recorded in other comprehensive income	0	0	509	509
Closing Balance as at 31 March 2015	**22,254**	**310**	**711**	**23,275**
Current and Non-Current Deferred Tax				
2014				
Current Deferred Tax	805	(44)	(578)	183
Non-Current Deferred Tax	20,712	415	817	21,944
	21,517	**371**	**239**	**22,127**
2015				
Current Deferred Tax	730	(53)	(74)	603
Non-Current Deferred Tax	21,524	363	785	22,672
	22,254	**310**	**711**	**23,275**

7 Share Capital

There are 30,366,000 shares in the Company (2014: 30,366,000) and they are as follows:

	Number of Shares	Shares Value $
2014		
Deferred Shares	28,750,000	31,484,118
Rebate Shares Issued Fully Paid	1,334,570	1,334,570
Unpaid Allocated Shares	281,430	0
	30,366,000	32,818,688
2015		
Deferred Shares	28,750,000	31,484,118
Rebate Shares Issued	1,302,669	1,302,669
Unpaid Allocated Shares	313,331	0
	30,366,000	32,786,787

Deferred Shares

There are 28,750,000 of deferred shares held by the Ashburton District Council, which have the following conditions or rights attached to them:

(a) There is no right to distributions, dividends or rebates.

(b) There is a right to vote if the rights attached to the deferred share are to be altered, or there is a proposal that would change the control of the Company, or the rights of the council are not carried forward on an amalgamation.

(c) The shares are not transferable, except to another local authority, or if 25 per cent of the voting shares are controlled by one person.

(d) The right to an equal distribution with the holders of the rebate shares on a winding up of the Company.

Note

7 **Share Capital (continued)**

Rebate Shares issued

The Company issues to those connected to the Network $100 of non-tradable rebate shares with the following provisions:

(a) No user shall be required to hold any more rebate shares than any other user.

(b) The user must be connected to the Network.

When a user ceases to be connected to the Network the $100 will be refunded less any monies owing on purchase of the rebate shares.

Note		2015 $000	2014 $000
8	**Reconciliation of Retained Earnings**		
	Balance at start of the Year	99,745	92,417
	Add Total Comprehensive Income for the Year	6,986	7,328
	Closing balance at end of the Year	**106,731**	**99,745**
9	**Cash and Cash Equivalents**		
	Cash at bank	184	(111)
		184	**(111)**
10	**Inventories**		
	Distribution System	4,863	4,030
	Communication Network	598	585
		5,461	**4,615**

No inventories are subject to retention of title clause or hedged as security for liability (2014: Nil).

Note		2015 $000	2014 $000
11	**Trade and Other Receivables**		
	Account Receivables	6,697	6,013
	Prepayments	574	528
	Provision for impairment	(9)	(5)
		7,262	**6,536**
	Ageing of Receivables is as follows:		
	Current	6,963	6,408
	Overdue 30-60 Days	227	49
	61-90 Days	12	9
	91 Days and over	60	70
		7,262	**6,536**

Individually impaired accounts receivable relate to customers for whom there is objective evidence of ability to pay. Generally, no collateral is held for account receivables.

Note		2015 $000	2014 $000
	Changes in the impaired allowance amount		
	Opening Balance	5	3
	Addition/(Released)	4	2
	Closing Balance	**9**	**5**
12	**Intangible Assets**		
	Software		
	Opening Purchase Cost	2,628	2,627
	Additions in the Year	20	10
	Scrapped in the Year	0	(9)
	Closing Purchase Cost	**2,648**	**2,628**
	Opening Accumulated Amortisation	2,160	2,026
	Amortisation for the Year	60	143
	Scrapped in the Year	0	(9)
	Closing Accumulated Amortisation	**2,220**	**2,160**
	Net Book Value	**428**	**468**
	Add Work in Progress	10	0
	Total Intangibles	**438**	**468**

Note		2015 $000	2014 $000
13	**Naming Rights**		
	EA Networks Centre		
	Purchase cost	1,000	1,000
	Opening Accumulated Amortisation	0	0
	Amortisation for the Year	0	0
	Closing Accumulated Amortisation.	**0**	**0**
	Book value of naming rights	**1,000**	**1,000**

EA Networks has purchased the naming rights to the Ashburton Stadium Complex Trust stadium for a period of 15 years from the date that the council officially opens the complex. The complex was opened on 9 May 2015.

14 Property Plant and Equipment

	Electricity Reticulation Assets $000	Buildings $000	Land $000	Vehicles $000	Plant $000	Office Equipment $000	Communication Network $000	Total $000
Purchase cost as at 1 April 2013	265,080	11,976	7,434	5,835	4,939	1,524	15,402	312,190
Addition in year	18,647	195	0	1,638	361	178	944	21,963
Assets sold or scrapped	(1,197)	0	0	(235)	(15)	(448)	(92)	(1,987)
Transferred to Inventory	(127)	0	0	0	0	0	0	(127)
Purchase cost as at 31 March 2014	282,403	12,171	7,434	7,238	5,285	1,254	16,254	332,039
Purchase cost as at 1 April 2014	282,403	12,171	7,434	7,238	5,285	1,254	16,254	332,039
Addition in year	12,713	452	0	1,300	104	22	1,219	15,810
Assets sold or scrapped	(1,841)	0	0	(422)	0	(3)	0	(2,266)
Transferred to Inventory	54	0	0	0	0	0	0	54
Purchase cost as at 31 March 2015	293,329	12,623	7,434	8,116	5,389	1,273	17,473	345,637
Accumulated Depreciation as at 1 April 2013	97,589	537	0	3,947	2,665	857	2,174	107,769
Additional depreciation in the year	6,026	667	0	607	509	174	974	8,957
Recovery of depreciation on disposal	(853)	0	0	(211)	(15)	(434)	(49)	(1,562)
Accumulated Depreciation as at 31 March 2014	102,762	1,204	0	4,343	3,159	597	3,099	115,164
Accumulated Depreciation as at 1 April 2014	102,762	1,204	0	4,343	3,159	597	3,099	115,164
Additional depreciation in the year	6,457	612	0	724	415	159	996	9,363
Recovery of depreciation on disposal	(1,249)	0	0	(332)	0	(1)	0	(1,582)
Accumulated Depreciation as at 31 March 2015	107,970	1,816	0	4,735	3,574	755	4,095	122,945
Net Book Value 31 March 2014	179,641	10,967	7,434	2,895	2,126	657	13,155	216,875
Add Work in Progress	985	358	0	625	0	16	178	2,162
	180,626	11,325	7,434	3,520	2,126	673	13,333	219,037
Net Book Value 31 March 2015	185,359	10,807	7,434	3,381	1,815	518	13,378	222,692
Add Work in Progress	1,651	12	0	288	37	40	144	2,172
	187,010	10,819	7,434	3,669	1,852	558	13,522	224,864

Wage and Salary capitalised to property, plant and equipment $975,777 (2014: $1,400,636)

Note

15 Investment Property

	Land $000	Buildings $000	Fixture and fittings $000	Total $000
Purchase cost at 1 April 2013	0	0	0	0
Additions in the year	0	10	0	10
Transferred from held for sale	83	1,471	128	1,682
Purchase cost at 31 March 2014	83	1,481	128	1,692
Purchase cost at 1 April 2014	83	1,481	128	1,692
Additions in the year	0	112	23	135
Assets sold or scrapped	0	(446)	(100)	(546)
Purchase cost at 31 March 2015	83	1,147	51	1,281
Accumulated Depreciation at 1 April 2013	0	0	0	0
Transferred from held for sale	0	488	96	584
Additional depreciation in the year	0	20	6	26
Accumulated depreciation at 31 March 2014	0	508	102	610
Accumulated Depreciation at 1 April 2014	0	508	102	610
Additional depreciation in the year	0	19	4	23
Assets sold or scrapped	0	(232)	(83)	(315)
Accumulated deprecation at 31 March 2015	0	295	23	318
Book value at 31 March 2014	83	973	26	1,082
Add Work in Progress	0	84	0	84
Book value at 31 March 2014	83	1,057	26	1,166
Book value at 31 March 2015	83	852	28	963
Add Work in Progress	0	0	0	0
Book value at 31 March 2015	83	852	28	963

Direct operating revenue and expenses associated with rental properties

	2015 $000	2014 $000
Rental income received from investment property	247	203
Direct operating expenses arising from investment property that generated rental income during the period.		
Maintenance	(10)	(34)
General	(33)	(27)
Demolition cost	(304)	0
Loss on sale	(231)	0
Depreciation	(23)	(26)
	(601)	(87)
Direct operating expenses arising from investment property that did not generate rental income during the period.	0	0
	(354)	116

At 31 March 2015 and 31 March 2014 no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements existed.

There are no restrictions on the realisability of investment property or the remittance of income associated with it as at 31 March 2015 or 31 March 2014.

Note
16 **Investment in Barrhill Chertsey Irrigation Limited Electricity Ashburton Limited Joint Venture (BCI)**

The Company has a 50% participating interest in the BCI Joint Venture. Under the arrangement income and expenses are shared equally, excluding interest on current accounts. EA Networks has a preferential right to income from the BCI Joint Venture to an agreed amount between the parties of the Joint Venture.

The BCI Joint Venture has been accounted for using the equity method.

Summarised financial information for the BCI joint venture	**2015 $000**	**2014 $000**
Statement of Financial Position		
Current assets		
Cash and cash equivalents	512	0
Other current assets	1,541	771
	2,053	**771**
Current liabilities		
Cash and cash equivalents	0	132
EA Networks preferential right to income	1,080	900
Loan	10,440	168
Financial liabilities (excluding trade payables)	500	0
Other current liabilities (including trade payables)	6,414	1,106
	18,434	**2,306**
Non-current assets	**48,538**	**31,180**
Non-current liabilities		
Financial liabilities	5,962	12,028
Other liabilities	4,553	4,240
	10,515	**16,268**
Net assets	**21,642**	**13,377**
Statement of Financial Performance		
The Company's share of income and expenses are:		
Income	10,020	7,353
Expenses	(8,425)	(5,886)
Interest	(812)	(509)
Depreciation and amortisation	(1,304)	(1,185)
Net Loss for the Period	**(521)**	**(227)**
EA Networks preferential right to income	(1,381)	(1,200)
Pre-tax profit from continuing operations	**(1,902)**	**(1,427)**
Income tax expenses	0	0
Post-tax profit from continued operations	**(1,902)**	**(1,427)**
Other comprehensive income	3,634	0
Total comprehensive income	**1,732**	**(1,427)**

The information above reflects the amounts presented in the financial statements of the BCI joint venture, and not EA Networks Limited share of those amounts.
There have been no adjustments for differences in accounting policies between the BCI joint venture financial statements and EA Networks financial statements.

Reconciliation of summarised financial income		
Opening net assets	13,377	14,101
Capital contributions made by Barrhill Chertsey Irrigation Limited in the year.	3,933	703
Capital contributions made by EA Networks	2,600	0
Total comprehensive income	1,732	(1,427)
Closing net assets	21,642	13,377
Interest in joint venture' (50% 2015, 55% 2014)	10,821	7,355
Carrying value	**10,821**	**7,355**
Made up of		
Equity invested	12,600	10,000
Retained Earnings	(3,596)	(2,645)
JV Revaluation	1,817	0
Carrying Value	**10,821**	**7,355**

Note

16 Investment in Barrhill Chertsey Irrigation Limited Electricity Ashburton Limited Joint Venture (BCI) (continued)

The Joint Venture agreement includes a schedule detailing preferential right to income for EA Networks. For the 2015 year this preferential right to income was $1,381,000 (2014 $1,200,000). This payment is classed as an operating cost and operating income in the Joint Venture's and EA Networks financial statements.

Revaluation

The Joint venture water reticulation assets were revalued at 31 March 2015 by Rationale Limited, an independent valuer, using a depreciation replacement cost of equivalent asset methodology.

Depreciation replacement cost methodology used
Water reticulation pipe lines: The unit rate has been derived from the schedule of work estimate provided to Rationale Limited from the JV and is based on the cost per linear meter for each combination of pipe diameter and pressure rating.

Offtakes: A similar method to water reticulation pipe line was used to derive the unit rates of the offtakes.

Remainder: The unit rate is based on the initial cost with the appropriate inflation index applied to convert the value into a March 2015 equivalent. The inflation indices are based on the Statistics New Zealand Capital Goods Price Index - Civil Construction.

17 Derivative financial Instruments

	2015 $000	2014 $000
Cash flow Hedges		
Current Assets		
Interest Rate CAPS	26	0
Interest Rates SWAPS	21	0
	47	0
Non-Current Assets		
Interest Rate CAPS	31	310
Interest Rates SWAPS	66	343
	97	653
Current Liabilities		
Interest Rate SWAPS	0	(45)
Non-Current Liabilities		
Interest Rate SWAPS	(270)	0
	(270)	0
Total Value of Derivate Financial Instruments	**(126)**	**608**

The company has entered into interest rate swaps and caps to hedge against the financial risk associated with any potential movement in the cost of debt funding.

Financial instruments are recorded at the present value in the statement of financial position, with any movement in the associated value being recorded in the statement of financial performance.

The valuation of the financial instrument present value has been undertaken by the registered banks who are parties to the SWAP and CAPS contract.

No adjustment has been made to the present value of the financial instruments to reflect the risk of default. This is due to the other contracting parties to the financial instrument being the BNZ and Westpac who are registered banks, therefore any adjustment to the present value would be immaterial.

18 Trade and other payables

	2015	2014
Trade Creditors	3,468	2,530
Interest Accrual	586	404
	4,054	**2,934**

Note

19 Employee Entitlements

	Leave Entitlement $000	Other Entitlement $000	Total Entitlement $000
Balance as at 1 April 2013	965	646	1,611
Movement During the Period	82	33	115
Balance as at 31 March 2014	**1,047**	**679**	**1,726**
Balance as at 1 April 2014	**1,047**	**679**	**1,726**
Movement During the Period	(30)	59	29
Balance as at 31 March 2015	**1,017**	**738**	**1,755**

20 Financial Instruments

The Company is exposed to a number of financial risks: foreign exchange risk, interest rate risk, credit risk and liquidity risk. The Company focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance. The major area of financial risks faced by the Company and the information on the management of the related exposures are detailed below:

	Loans and Receivables $000	Assets at fair value through statement of financial performance $000	Other financial liabilities at amortised cost $000
Assets as per Statement of Financial Position as at 31 March 2015			
Current Assets			
Cash and Cash equivalents	184		
Trade receivables	7,262		
Derivative financial instruments		47	
Non-Current Assets			
Derivative financial instruments		97	
Total	7,446	144	
Current Liabilities			
Trade payables			4,054
Borrowings			
Derivative financial instruments			
Non-Current Liabilities			
Borrowings			81,950
Derivative financial instruments		270	
Total		270	86,004

	Loans and Receivables $000	Assets at fair value through statement of financial performance $000	Other financial liabilities at amortised cost $000
Assets as per Statement of Financial Position as at 31 March 2014			
Current Assets			
Trade receivables	6,536		
Non-Current Assets			
Derivative financial instruments		653	
Total Derivate financial instruments	6,536	653	0
Liabilities as per Statement of Financial Position as at 31 March 2014			
Current Liabilities			
Cash and Cash equivalents	111		
Trade payable			2,934
Non-Current Liabilities			
Derivative financial instruments		45	
Borrowings			80,650
Total Derivative financial instruments	111	45	83,584

Foreign Exchange Risk

The Company has no foreign exchange contracts in place at 31 March 2015 or 31 March 2014.

Note

20 Financial Instruments (continued)

Interest Rate Risk

The Company has external long term funding arrangements that exposes it to interest rate risk. In order to manage the interest rate risk the Company employs a treasury policy, which requires the use of Swaps; Interest rate options; Caps; Collars and Swaptions. The treasury policy requires the following loan profile to be maintained:

	now and 2 years	Between 2-3 years	3-5years
Make-up of external funding:			
Floating	20%	30%	40%
Hedged	30%	30%	50%
Management discretion	50%	40%	10%
Total external funding	100%	100%	100%

Credit Risk

The Company has exposure to credit risk by having six electricity retailers' customers who have in excess of 80% of the total trade receivables. Credit risk with each of these customers is managed by the prudential requirements in the use of system agreement.

The Company's historical records associated with the collection of trade receivables gives Director's the belief that no additional credit risk beyond the amounts provided for doubtful debts is required in the Company's trade receivables.

The Company has a policy of holding cash in minimal quantities and spreading investments between registered trading banks, where the possibility of these institutions failing is considered remote.

The maximum exposure to credit risk is the disclosed carrying values of cash, cash equivalents and accounts receivable. No security is held on any of these items. Further disclosures on accounts receivable are outlined in Note 11.

Liquidity Risk

This represents the Company's ability to meet its financial obligations on time. The Company generates sufficient cash flows from its operating activities to make timely payments. It does however maintain committed credit lines to cover any shortfalls.

	2015	2014
External funding arrangements		
Overdraft facility - BNZ	$500,000	$500,000
Long Term funding		
Maturating within 12 months		
Cash advance facility with BNZ	$0	$0
Maturating greater than 12 months		
Drawn down Westpac multi option credit line facility	$32,000,000	$32,000,000
Cash advance facility with BNZ	$53,000,000	$53,000,000
	$85,000,000	$85,000,000
Total long term funding available	$85,000,000	$85,000,000
Contractual Performance Bonds		
Dollar value of bonds in place with Westpac	$41,107	$41,107
Number of bonds in place with Westpac	2	2

Short and long term funding is secured by a negative pledge over assets.
The following table identifies the periods in which financial instruments that are subject to interest rate risk, re-pricing and the effective rate at balance date.

Note

Interest Rate Risk		6 months and less $000	6-12 months $000	1-2 years $000	2-5 years $000
2014					
Effective Total		37,150	3,000	18,000	22,500
Interest Rate	From	3.72%	6.60%	4.02%	4.26%
	To	4.96%	6.60%	5.86%	5.64%
2015					
Effective Total		28,450	6,000	14,000	33,500
Interest Rate	From	3.79%	4.11%	3.96%	4.21%
	To	5.33%	5.81%	5.59%	5.61%

By managing interest rate risk the Company aims to moderate the impact of short term fluctuations in interest rates. Over the longer term, changes in rates will have an impact on profit. It is estimated for the 2015 year there will be an increase in interest rates above the present fixed rates the Company have with its bankers. It is estimated that a one per cent increase/decrease in average interest rates would reduce/increase profit and equity by $819,500 (2014 $806,500).

Liquidity Forecast

The Company policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The table below analyses the financial liabilities into relevant maturity groupings based on the remaining period at balance sheet date to the contractual maturity date.

Maturity of long term external funding	6 months and less $000	6-12 months $000	1-2 years $000	2-5 years $000
2014				
Effective Total	0	0	80,650	0
Interest on principal from now to maturity	1,803	2,769	2,596	0
Effective Total	1,803	2,769	83,246	0
Interest on principal due				
From	3.72%	3.72%	3.72%	0.00%
To	6.60%	6.60%	6.60%	0.00%
2015				
Principal	0	0	81,950	0
Interest payable	1,913	3,402	2,998	0
Effective Total	1,913	3,402	84,948	0
Interest on principal due				
From	3.79%	3.79%	3.79%	3.79%
To	5.81%	5.81%	5.81%	5.81%

The funding agreement with Westpac is due for renewal in September 2016. Traditionally when this loan comes up for renewal it has been renewed. All indications are that this loan will be renewed.

The funding agreement with The Bank of New Zealand is a rolling two year commitment.

Capital Risk Management

The Company's objective when managing capital is to safeguard the ability to continue as a going concern in order to provide returns to shareholders, consumers, and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. Total capital is calculated as total equity including members' interests plus total borrowings as shown in the balance sheet. The Company is subject to the following externally imposed capital requirements, which are measured at balance date, which the Company fully complies with.

Interest Coverage: Earnings before interest, tax, and rebate / Interest. Coverage of which is to be greater than or equal to 3.5.
Shareholder Funds Ratio: Total Shareholder Funds to be maintained in excess of 45% of Total Tangible Assets.

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

Note

20 **Financial Instruments (continued)**

Guarantees

The Company has given an interlocking guarantee for a funding facility supplied by The Bank of New Zealand for the Barrhill Chertsey Irrigation Ltd and Electricity Ashburton Ltd Joint Venture. The value of the interlocking guarantee as at 31 March 2015 is $17,500,000. If Electricity Ashburton Ltd is called under the guarantee the Joint Venture assets are effectively secured for Electricity Ashburton Ltd.

Fair value hierarchy for derivatives

Fair Value hierarchy for derivatives as at 31 March 2014	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
Financial asset at fair value through the Statement of Financial Performance				
Derivatives used for hedging				
Interest contracts	0	653	0	653
Total assets	0	653	0	653
Financial liabilities at fair value through the Statement of Financial Performance				
Derivatives used for hedging				
Interest contracts	0	45	0	45
Total liabilities	0	45	0	45

Fair Value hierarchy for derivatives as at 31 March 2015	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
Financial asset at fair value through the Statement of Financial Performance				
Derivatives used for hedging				
Interest contracts		144		
Total assets		144		
Financial liabilities at fair value through the Statement of Financial Performance				
Derivatives used for hedging				
Interest contracts		270		
Total liabilities		270		

The Company relies on the fair valuation of derivatives from Trading Banks that the derivate have been placed with. The fair valuation represents the value which the derivative could be sold for at balance date.

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included in Level 1 that are observable for the assets or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices).

Level 3: inputs from asset or liability that are not based on observable market data (unobservable inputs)

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Note		2015 $000	2014 $000
21	**Reconciliation of Net Cash Flows from Operating Activities to operating Surplus after Taxation**		
	Operating Surplus After Taxation	5,678	7,328
	Add / (Less) Non-Cash Items:-		
	Depreciation and Amortisation	9,446	9,126
	Movement in Financial Derivatives	734	(843)
	Movement in Deferred Taxation	1,148	873
	Deferred Tax recorded in other comprehensive income	(509)	0
	Loss on sale	763	(292)
	Discount used by shareholders to purchase shares	116	111
	Return on Investment in Joint Venture	(1,381)	(1,200)
	Loss from Joint Venture	951	713
		11,268	8,488
	Movement in net Current Assets / Liabilities:-		
	Decrease / (Increase) in Inventory	(846)	648
	Decrease / (Increase) in Trade and Other Receivables	(726)	(405)
	Increase / (Decrease) in Trade and Other Payables	1,120	(83)
	Increase / (Decrease) in Employee Entitlement	29	115
	Increase / (Decrease) in Taxation payable	(358)	373
		(781)	648
	Other:-		
	Inventory transferred from Property, Plant and Equipment	0	127
	Trade and Other Payables relating to Property, Plant and Equipment.	169	(43)
		169	84
	Net Cash Flows from Operating Activities	**16,334**	**16,548**
22	**Operating Lease**		
	Lessee		
	Not later than 1 year	1,626	747
	Later than 1 year and not later than 5 years	4,829	2,922
	Lessor		
	Not later than 1 year	483	528
	Later than 1 year and not later than 5 years	1,193	1,279
23	**Capital Commitments**		
	Electricity Ashburton Limited		
	Transformers	597	979
	Consignment Stock	1,195	811
	Circuit breakers	83	0
	Cable	724	0
	External contracting services	613	0
	Software and computer equipment	153	0
	Vehicle	0	157
		3,365	**1,947**
	Share of Barrhill Chertsey Irrigation Limited and Electricity Ashburton Limited Joint Venture		
	Construction cost	**7,658**	**2,382**
	Total Capital Commitments	**11,023**	**4,329**

24 Contingent Liabilities

EA Networks has guaranteed the funding agreement between the BNZ and the Barrhill Chertsey Irrigation Ltd and Electricity Ashburton Joint Venture Banking. The value of the guarantee at balance date was $17,500,000 (2014 $17,500,000).

Note		2015	2014
25	**Related Party Transactions**		
	Ashburton District Council		
	Ashburton District Council is a significant shareholder that holds 28,750,000 deferred shares		
	EA Networks has paid Ashburton District Council:		
	Rates	215,591	199,153
	Lease	0	0
	Other services	4,098	16,295
	Outstanding at balance date		
	Rates	36,238	34,404
	Other services	2,636	1,297
	Ashburton District Council has paid EA Networks:		
	Contracting and Capital Contributions	224,799	148,800
	Other	8,831	9,090
	Outstanding at balance date		
	Contracting and Capital Contributions	88,831	15,067
	Other	1,279	713
	Ashburton Trading Society (ATS)		
	Mr P J McKendry is a Director of EA Networks and chairman of directors for ATS		
	Ashburton Trading Society has paid EA Networks:		
	Lease	160,317	160,031
	Outstanding at balance date	11,645	11,998

Ashburton Contracting Limited (ACL)

Mr M W Frost a Director of EA Networks and a Director of ACL, Mr Tavendale Chairman of Directors for EA Networks and Chairman of Directors for ACL from 7 January 2015.

	2015	2014
EA Networks has paid Ashburton Contracting Limited:		
Contracting Services	706,257	717,325
Vehicle Repairs	21,550	15,817
Other	3,698	
Outstanding at balance date		
Contracting Services	159,515	84,050
Vehicle Repairs	2,102	1,421
Ashburton Contracting Limited has paid EA Networks:		
Contracting Services	49,474	14,589
Outstanding at balance date	41,365	5,109
Barrhill Chertsey Irrigation Limited Electricity Ashburton Limited Joint Venture		
The Joint venture has paid EA Networks		
Management Fees	15,404	24,722
Preferential right to income	1,200,000	1,200,000
Contracting Services	131,569	33,754
Outstanding at balance date		
Right to income (not due for payment until 30 June)	1,080,756	900,000
Management Fee	1,000	1,851
Irrigo Centre Limited		
Irrigo Centre limited has paid EA Networks:		
Lease	52,020	7,810
Outstanding at balance date	4,727	3,905

The Barrhill Chertsey Irrigation Limited Electricity Ashburton Limited Joint Venture holds 20% of the shares in Irrigo Limited.

All related parties transactions are carried out under normal commercial terms.

Note		2015 $000	2014 $000
26	**Key Management Personnel Compensation**		
	The compensation of executives being the key management personnel of the Company is set out below:		
	Short term employment benefits	1,235	1,142
	Post-employment benefits	0	0
	Long term benefits	0	0
	Termination benefits	0	0
	Outstanding benefits at balance date		
	Long term benefits outstanding	14	13
	Termination benefits outstanding	108	99

27 Subsequent Events

On 25 May 2015 EA Networks extended their BNZ facility to $60 million on the same terms and conditions as facility in place at 31 March 2015. There are no other events subsequent to balance date that would materially affect these financial statements.

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Independent Auditors' Report

to the shareholders of Electricity Ashburton Limited

Report on the Financial Statements

We have audited the financial statements of Electricity Ashburton Limited ("the Company") on pages 5 to 27, which comprise the balance sheets as at 31 March 2015, the statements of comprehensive income, statement of cash flow, and the statements of changes in equity and members' interests for the year then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information for the Company.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation of these financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate and for such internal controls as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand) and International Standards on Auditing. These standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider the internal controls relevant to the Company's preparation of financial statements that give a true and fair view of the matters to which they relate, 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 includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

We have no relationship with, or interests in, Electricity Ashburton Limited other than in our capacities as auditors and we have carried out assignments in the areas of compliance with the Electricity Distribution (Information Disclosure) Requirements 2008 and other regulatory requirement of the Commerce Act 1986. These services have not impaired our independence as auditors of the Company.

PricewaterhouseCoopers, 5 Sir Gil Simpson Drive, Canterbury Technology Park, PO Box 13244, Christchurch 8053, New Zealand T: +64 (3) 374 3000, F: +64 (3) 374 3001, www.pwc.com/nz

Opinion

In our opinion, the financial statements on pages 5 to 27:

(i) comply with generally accepted accounting practice in New Zealand;

(ii) comply with International Financial Reporting Standards; and

(iii) give a true and fair view of the financial position of the Company as at 31 March 2015, and its financial performance for the year then ended.

Report on Other Legal and Regulatory Requirements

We also report in accordance with Sections 16(1) (d) and 16(1) (e) of the Financial Reporting Act 1993. In relation to our audit of the financial statements for the year 31 March 2015:

(i) we have obtained all the information and explanations that we have required; and

(ii) in our opinion, proper accounting records have been kept by the Company as far as appears from an examination of those records.

Restriction on Use of our Report

This report is made solely to the Company's shareholders, as a body, in accordance with Section 205(1) of the Companies Act 1993. Our audit work has been undertaken so that we might state to the Company's shareholders those matters which we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

PricewaterhouseCoopers

Chartered Accountants **Christchurch**
17 June 2015