EA networks

ANNUAL REPORT

FOR THE YEAR ENDED 31 MARCH 2016

2016 Annual Report

Contents

Board of Directors:

Gary Leech (Chairman)
Phil McKendry (Deputy Chairman)
Bruce McPherson
Murray Frost
Richard Fitzgerald
Ray Davy

Shareholders Committee:

Ian Cullimore (Chairman)
Anne Marett
Bev Fraser
Chris Robertson
David Ward
Jim Lischner
Sandra Curd (retired 17 July 2015)
Jeanette Maxwell (appointed 17 July 2015)

Management:

General Manager	Gordon Guthrie
Network Manager	Brendon Quinn
Contracting Manager	Tony Hannah
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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Auditors

PricewaterhouseCoopers
5 Sir Gil Simpson Drive
Burnside, Christchurch 8053

General Company Solicitor

Tavendale and Partners
234 Tancred Street
Ashburton 7740

Company Solicitor for Shareholders Related Issues

David Stock
Level 3 White Fox and Jones House
22 Moorhouse Avenue
Addington, Christchurch 8011

DIRECTORS' REPORT

TRADING NAME
EA Networks is the trading name of Electricity Ashburton Limited.

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 11 May 2016 that in the opinion of the Directors for the year ended 31 March 2016, Electricity Ashburton Limited 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 Industry 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 which provides the essential link between shareholders and the Company.

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 over time to enhance the prosperity of the Company and its shareholders.

The Board discharges this responsibility through effective leadership, by enabling and encouraging an environment for innovation and being responsive to any 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 'Directors Corporate Governance Manual'.

The Directors Corporate Governance Manual sets out the responsibilities, code of conduct and expectations from each Director and members of the executive team of EA Networks.

Board Chairperson
The Board Chairperson 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 Chairperson 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 10 times a year. Additional meetings are convened as and when required.

Meetings are governed by a formal policy which sets when, where and how meetings are to be held. 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 Charter
The Board operates under a formal charter which sets out the objectives and responsibilities of the Board. Contained within the charter is the relationship between and responsibilities of the Board, Shareholder committee and the General Manager.

The Charter allows for the Board to establish committees to assist with the Board responsibilities.

Board Committees

Audit and Risk Committee:
The Audit and Risk Committee comprises B McPherson (chair), R Fitzgerald and G Leech. For financial reporting it provides review of the effectiveness of the external reporting of financial information, and the internal control environment of EA Networks. The committee's key purpose and objective concerning risk is to assist the board in formulating its risk appetite, ensuring that all policy and decisions are made in accordance with EA Networks' corporate values and guidelines.

Governance and Remuneration Committee:
The Governance and Remuneration Committee comprise P McKendry (chair), G Leech and B McPherson. It's purpose is to oversee a formal and transparent method of recommending directors remuneration to shareholders; to assist the board in establishing remuneration policies and practise for the company and in discharging its responsibilities for reviewing and setting the remuneration of the General Manager and senior executives; to assist the board and shareholders committee in reviewing the Board's composition and the competencies required of prospective directors and to ensure that EA Networks maintains best practice corporate governance.

Health and Safety
The board is responsible for approving and overseeing the planning, delivering, monitoring and reviewing, of EA Networks' health and safety and environment programme. Under the Boards charter all board members are health and safety champions of the Company. The board is totally committed to keep safe all persons working for the company.

Role of the Board (Continued)

DIRECTORS

At the 2015 Annual General Meeting Messrs J B Tavendale and G R Leech retired by rotation. Mr J B Tavendale did not seek re-appointment. It was the unanimous decision of the Shareholders Committee to reappoint Mr G R Leech for a further three year term. Mr R G Fitzgerald was appointed to the board.

DIRECTORS' REMUNERATION

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

	Chairman	Deputy Chairman	Director	Total
J B Tavendale (Chairman to 1 July 2015)	18,204		4,353	22,557
G R Leech (Chairman from 1 July 2015)	54,019	10,922		64,941
P J McKendry (Deputy from 1 July 2015)		32,411	9,102	41,513
R J Davy			36,111	36,111
M W Frost			36,111	36,111
B R McPherson			36,111	36,111
R G Fitzgerald			22,656	22,656
Total	**72,223**	**43,333**	**144,444**	**260,000**

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.

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 2016 are specified in the following bands:

Band	Number of staff in band	Band	Number of staff in band
$100,000 - $110,000	10	$140,000 - $150,000	3
$110,000 - $120,000	3	$170,000 - $180,000	2
$120,000 - $130,000	8	$210,000 - $220,000	1
$130,000 - $140,000	4	$320,000 - $330,000	1

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

Role of the Board (Continued)

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, paid to PricewaterhouseCoopers are as follows:

	2016	2015
Financial audit	$34,000	$33,000
Regulatory audits	$50,725	$49,141
Regulatory consulting	$31,395	$16,986

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: 15 June 2016

DIRECTOR

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2016

	Notes	2016 $000	2015 $000
Operating Revenue	2	47,129	46,831
Less			
Operating Expenses	3	(21,064)	(20,150)
Interest and Associated Costs	4	(4,908)	(5,144)
Depreciation and Amortisation	5	(9,645)	(9,466)
		(35,617)	(34,740)
Operating Surplus before share of Joint Venture, Customer Deferred Discount and Taxation		11,512	12,091
Preferential right to income from the BCI Joint Venture	17	2,068	1,381
Share of BCI Joint Venture loss for the year	17	(1,777)	(951)
Operating Surplus before Customer Deferred Discount and Taxation		11,803	12,521
Customer Deferred Discount		(3,473)	(4,498)
Operating Surplus before Taxation		8,330	8,023
Taxation	6	(2,434)	(2,345)
Operating Surplus after Taxation		5,896	5,678
Other Comprehensive Income			
JV Revaluation Reserve	6 & 17	0	1,308
Total Comprehensive Income		5,896	6,986

STATEMENT OF CHANGES IN EQUITY AND MEMBERS' INTERESTS
FOR THE YEAR ENDED 31 MARCH 2016

		JV Revaluation reserve $000	Equity $000	Members' Interests $000	Total $000
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 & 17	1,817	(509)	0	1,308
		1,817	5,169	0	6,986
Transactions with Owners:					
Shares Issued		0	0	116	116
Shares Repaid		0	0	(32)	(32)
		0	0	19	19
BALANCE AS AT 31 MARCH 2015		1,817	136,398	1,303	139,518
BALANCE AS AT 1 APRIL 2015		1,817	136,398	1,303	139,518
Comprehensive Income:					
Operating Surplus after Taxation		0	5,896	0	5,896
		0	5,896	0	5,896
Transactions with Owners:					
Shares Issued		0	0	94	94
Shares Repaid		0	0	(55)	(55)
		0	0	39	39
BALANCE AS AT 31 MARCH 2016		1,817	142,294	1,342	145,453

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2016

	Notes	2016 $000	2015 $000
EQUITY AND MEMBERS' INTERESTS:			
Deferred Shares	7	31,484	31,484
JV Revaluation Surplus	16	1,817	1,817
Retained Earnings	8	110,810	104,914
Total Equity		144,111	138,215
Rebate Shares	7	1,342	1,303
TOTAL EQUITY		**145,453**	**139,518**
REPRESENTED BY:			
CURRENT ASSETS:			
Cash and Cash Equivalents	9	0	184
Inventories	10	5,326	5,461
Trade and Other Receivables	11	7,645	7,262
Derivative Financial Instruments	18	0	47
Naming rights		67	0
Held for Sale	15	946	0
Total Current Assets		**13,984**	**12,954**
NON-CURRENT ASSETS:			
Intangibles	12	378	438
Naming Rights to EA Networks Centre	13	867	1,000
Property, Plant, and Equipment	14	235,343	224,864
Investment Property	15	0	963
Investment in the BCI Joint Venture	17	15,124	10,821
Derivative Financial Instruments	18	28	97
Total Non-Current Assets		**251,740**	**238,183**
TOTAL ASSETS		**265,724**	**251,137**
CURRENT LIABILITIES:			
Cash and Cash Equivalents	9	50	0
Current Income Tax Liabilities		296	315
Trade and Other Payables	19	4,331	4,054
Employee Entitlements	20	1,932	1,755
Deferred Income Tax Liabilities	6	499	603
Derivative Financial Instruments	18	65	0
Total Current Liabilities		**7,173**	**6,727**
NON-CURRENT LIABILITIES:			
Deferred Income Tax Liabilities	6	23,516	22,672
Borrowings	21	88,800	81,950
Derivative Financial Instruments	18	782	270
Total Non-Current Liabilities		**113,098**	**104,892**
TOTAL LIABILITIES		**120,271**	**111,619**
TOTAL NET ASSETS		**145,453**	**139,518**

For and on behalf of the Board

DIRECTOR **DIRECTOR**

15 June 2016

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2016

	Notes	2016 $000	2015 $000
CASH FLOWS FROM OPERATING ACTIVITIES :			
Cash was Provided from:			
Receipts from Customers		47,107	46,078
Interest received		20	24
Net GST Movement		0	0
		47,127	46,102
Cash was Applied to:			
Payments to Suppliers & Employees		(22,844)	(19,046)
Customer Deferred Discount Paid		(3,380)	(4,382)
Interest Paid		(4,319)	(4,228)
Net GST Paid		(33)	(55)
Taxation Paid		(1,745)	(2,057)
		(32,321)	(29,768)
Net Cash Flows from Operating Activities	22	**14,806**	**16,334**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Cash was Provided from:			
Preferential right to income from the Joint Venture	16	2,068	1,381
Sale of Property, Plant and Equipment		341	151
		2,409	1,532
Cash was Applied to:			
Investment in Property, Plant and Equipment		(18,165)	(16,123)
Investment in BCI/EAL Joint Venture		(6,080)	(2,600)
		(24,245)	(18,723)
Net Cash Flows From Investing Activities		**(21,836)**	**(17,191)**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Cash was Provided from:			
Bank Loans – Borrowings		6,850	1,300
		6,850	1,300
Cash was Applied to:			
Purchase of Shares from Owners		(54)	(148)
		(54)	(148)
Net Cash Flows From Financing Activities		**6,796**	**1,152**
NET INCREASE (DECREASE) IN CASH HELD		**(234)**	**295**
Cash and Cash Equivalents at start of year		184	(111)
Cash and Cash Equivalents at end of year		**(50)**	**184**

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 both years contained in these financial statements. 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:

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.

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 2016 or 2015.

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.

NOTE 1 SUMMARY OF ACCOUNTING POLICIES (continued)

SPECIFIC ACCOUNTING POLICIES

CUSTOMER DEFERRED DISCOUNT

The customer deferred discount is a 'non-posted discount' on use of system revenue that is recorded and paid to eligible consumers in the financial year that it is declared.

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 16: Leases (Effective date: periods beginning on or after 1 January 2019)
NZ IFRS 16, 'Leases', replaces the current guidance in NZ IAS 17. Under NZ IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Under NZ IAS 17, a lessee was required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). NZ IFRS 16 now requires a lessee to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. Included is an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees.

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

NZ IFRS 15: Revenue from contracts with customers (Effective date: periods beginning on or after 1 January 2018)
NZ IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces NZ IAS 18 'Revenue' and NZ IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The group intends to adopt NZ IFRS 15 on its effective date and is currently assessing its full impact. [This standard is not expected to significantly impact the Group.]

NZ IFRS 9: Financial Instruments (Effective date: periods beginning on or after 1 January 2018)
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 is different to that currently prepared under NZ IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The group intends to adopt NZ IFRS 9 on its effective date and has yet to assess its full impact.

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		2016 $000	2015 $000
2	**Operating Revenue**		
	Use of System Revenue	42,254	41,519
	Connection Fees	396	526
	Communication Network Revenue	921	755
	Rental Property	344	309
	Other income including contracting revenue	3,194	3,698
	Interest Income	20	24
		47,129	**46,831**

Accounting policies relating to 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

Capital contributions received from customers have been offset against the cost of the electricity reticulation networks property plant and equipment.

Rental Property

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

Interest Income

Interest is recognised using the effective interest method.

All other Income

All other revenue is recognised in the accounting period in which the service is provided.

Note		2016 $000	2015 $000
3	**Operating Expenses**		
	Transmission Costs	7,307	8,105
	Employee Benefit Costs*	5,758	5,019
	Distribution System Maintenance	2,959	2,383
	Harmonics Incentive	1,162	847
	Directors Fees	260	236
	Shareholder Committee Fees	58	52
	Bad debts written off	14	5
	Rental & Operating Lease Payments	26	35
	Audit Fees – PWC	34	33
	Audit Fees – Regulatory Disclosures	51	49
	Regulatory Consulting - PWC	31	17
	Loss on Sale of Property, Plant and Equipment	612	763
	Other operating expenses including contracting activities	2,792	2,606
		21,064	**20,150**

*Includes all employee benefit cost net of internal labour charged to: capital, network maintenance and faults. The total wages, salaries and benefits excluding FBT paid to employees in 2016 was $10.3 million (2015: $9.3 million).

Note		2016 $000	2015 $000
4	**Interest and Associated Cost**		
	Interest Expense on loans	3,681	3,800
	Capitalised Interest	0	0
	Bank Fees Associated with Financing	534	610
	Movements in Derivatives Associated with Financing	693	734
		4,908	**5,144**

Note		2016 $000		2015 $000
5	**Depreciation and Amortisation**			
	Depreciation:			
	Network Reticulation Assets	6,701		6,457
	Buildings	560		612
	Motor Vehicles	821		724
	Plant and Equipment	319		415
	Office Equipment	152		159
	Communication Network	1,017		996
	Investment Property	58		23
	Amortisation	17		60
		9,645		**9,446**
6	**Taxation**			
	Tax Reconciliation:			
	Operating surplus before taxation	8,330		8,023
	Prima Facie taxation at 28%	2,332		2,246
	Movements in Tax Due to:-			
	Permanent Differences			
	Non-Assessable Income	(400)		(32)
	Non-Deductible Expenses	500		131
	Tax Expenses	100		99
		2,432		2,345
	Timing Differences			
	Depreciation	(618)		(737)
	Capital Contributions	52		61
	Other	(174)		37
	Deferred Tax	(740)		(639)
	Current Taxation charge for the Year	1,692		1,706
	Prior year tax adjustment	2		0
	Taxation charge for the year	**1,694**		**1,706**
	Comprising			
	Current Taxation	1,692		1,706
	Deferred Taxation	740		639
	Prior Period Adjustment	2		0
		2,434		**2,345**
	Tax recognised in other comprehensive income	**Before tax $000**	Tax expense $000	**Net of tax $000**
	2015			
	JV Asset revaluation	1,817	(509)	1,308
		1,817	(509)	1,308
	2016			
		0	0	0

	2016 $000	2015 $000
Imputation Credit Account		
Opening balance	18,748	16,747
Income Tax Paid During the Year		2,000
Closing Balance	**18,748**	**18,748**

EA Networks uses a tax pool company, as at 31 March 2016 the 2016 tax payment has not been allocated to the imputation credit account at the IRD.

6 Taxation (continued)

Deferred Tax Account	Depreciation $000	Capital Contributions $000	Other $000	Total $000
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**
Opening Balance as at 1 April 2015	22,254	310	711	23,275
Movement shown in tax expense	618	(52)	174	740
Closing Balance as at 31 March 2016	**22,872**	**258**	**885**	**24,015**

Current and Non-Current Deferred Tax

	Depreciation $000	Capital Contributions $000	Other $000	Total $000
2015				
Current Deferred Tax	730	(53)	(74)	603
Non-Current Deferred Tax	21,524	363	785	22,672
	22,254	310	711	23,275
2016				
Current Deferred Tax	603	(61)	(43)	499
Non-Current Deferred Tax	22,269	319	928	23.516
	22,872	**258**	**885**	**24,015**

Accounting policies relating to 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.

Note

7 **Share Capital**

There are 30,366,000 shares in the Company (2015: 30,366,000) and they are as follows:

	Number of Shares	Shares Value
2015		$
Deferred Shares	28,750,000	31,484,118
Rebate Shares Issued Fully Paid	1,302,669	1,302,669
Unpaid Allocated Shares	313,331	0
	30,366,000	32,786,787
2016		
Deferred Shares	28,750,000	31,484,118
Rebate Shares Issued Fully Paid	1,342,116	1,342,116
Unpaid Allocated Shares	273,884	0
	30,366,000	32,826,234

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.

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.

		2016 $000	2015 $000
8	**Reconciliation of Retained Earnings**		
	Balance at start of the Year	104,914	99,745
	Add operating surplus for the Year	5,896	5,678
	Less deferred tax on JV asset revaluation	0	(509)
	Closing balance at end of the Year	**110,810**	**104,914**
9	**Cash and Cash Equivalents**		
	Cash at bank	(50)	184
		(50)	**184**

Accounting policy relating to 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).

		2016 $000	2015 $000
10	**Inventories**		
	Distribution System	4,610	4,863
	Communication Network	716	598
		5,326	**5,461**

No inventories are subject to retention of title clause or hedged as security for liability (2015: Nil).

Account policies relating to inventory

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.

		2016 $000	2015 $000
11	**Trade and Other Receivables**		
	Account Receivables	7,108	6,697
	Prepayments	539	574
	Provision for impairment	(2)	(9)
		7,645	**7,262**
	Ageing of Receivables is as follows:		
	Current	7,313	6,963
	Overdue 30-60 Days	300	227
	61-90 Days	15	12
	91 Days and over	17	60
		7,645	**7,262**

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.

	2016 $000	2015 $000
Changes in the impaired allowance amount		
Opening Balance	9	5
Addition/(Released)	(7)	4
Closing Balance	**2**	**9**

Accounting policies relating to Trade and other 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).

		2016 $000	2015 $000
12	**Intangible Assets**		
	Software		
	Opening Purchase Cost	2,648	2,628
	Additions in the Year	0	20
	Scrapped in the Year	0	0
	Closing Purchase Cost	**2,648**	**2,648**
	Opening Accumulated Amortisation	2,220	2,160
	Amortisation for the Year	58	60
	Scrapped in the Year	0	0
	Closing Accumulated Amortisation	**2,278**	**2,220**
	Net Book Value	**370**	**428**
	Add Work in Progress	8	10
	Total Intangibles	**378**	**438**

Accounting policies relating to intangible assets

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

		2016 $000	2015 $000
13	**Naming Rights**		
	EA Networks Centre		
	Purchase cost	1,000	1,000
	Opening Accumulated Amortisation	0	0
	Amortisation for the Year	66	0
	Closing Accumulated Amortisation.	**66**	**0**
	Book value of naming rights	**934**	**1,000**
	Made-up from		
	Current Asset Naming Right	**67**	**0**
	Non-Current Asset Naming Right	**867**	**1,000**
	Carrying value of Naming Right	**934**	**1,000**

EA Networks has purchased the naming rights to the Ashburton Stadium Complex from 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.

Accounting policies concerning naming rights

Naming Rights are stated at cost less accumulated amortisation.

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 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
Purchase cost as at 1 April 2015	293,329	12,623	7,434	8,116	5,389	1,273	17,473	345,637
Addition in year	17,732	18	0	1,372	190	154	1,070	20,536
Assets sold or scrapped	(2,787)	0	0	(1,227)	0	(13)	0	(4,027)
Transferred to Inventory								
Purchase cost as at 31 March 2016	308,274	12,641	7,434	8,261	5,579	1,414	18,543	362,146
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
Accumulated Depreciation as at 1 April 2015	107,970	1,816	0	4,735	3,574	755	4,095	122,945
Additional depreciation in the year	6,701	560	0	821	319	152	1,017	9,570
Recovery of depreciation on disposal	(1,876)	0	0	(1,152)	0	(4)	0	(3,032)
Accumulated Depreciation as at 31 March 2016	112,795	2,376	0	4,404	3,893	903	5,112	129,483
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
Net Book Value 31 March 2016	195,479	10,265	7,434	3,857	1,686	511	13,431	232,663
Add Work in Progress	2,366	0	0	83	0	42	189	2,680
	197,845	10,265	7,434	3,940	1,686	553	13,620	235,343

Wage and Salary capitalised to property, plant and equipment $1,066,640 (2015: $975,777)

Accounting polices concerning Property, Plant and Equipment.

Valuation

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 bringing 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.

14 Property Plant and Equipment (continued)

Accounting polices concerning Property, Plant and Equipment. (continued)

Measurement
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

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.

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

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

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.

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.

Capital Work In Progress
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.

Note

15 Investment Property

	Land $000	Buildings $000	Fixture and fittings $000	Total $000
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
Purchase cost at 1 April 2015	83	1,147	51	1,281
Transferred to Held for Sale	(83)	(1,147)	(51)	(1,281)
Purchase cost at 31 March 2016	0	0	0	0
Accumulated Depreciation at 1 April 2014	0	508	102	610
Transferred from held for sale	0	19	4	23
Additional depreciation in the year	0	(232)	(83)	(315)
Accumulated depreciation at 31 March 2015	0	295	23	318
Accumulated Depreciation at 1 April 2015	0	295	23	318
Additional depreciation in the year	0	15	2	17
Transferred to Held for Sale	0	(310)	(25)	(335)
Accumulated deprecation at 31 March 2016	0	0	0	0
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
Book value at 31 March 2016 Including Work in Progress	0	0	0	0

Direct operating revenue and expenses associated with rental properties

	2016 $000	2015 $000
Rental income received from investment property	239	247
Direct operating expenses arising from investment property that generated rental income during the period.		
Maintenance	(29)	(10)
General	(25)	(33)
Demolition cost	(340)	(304)
Loss on sale	0	(231)
Depreciation	(17)	(23)
	(411)	(601)
Direct operating expenses arising from investment property that did not generate rental income during the period.	0	0
	(172)	(354)

At 31 March 2016 and 31 March 2015 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 2016 or 31 March 2015.

The rental property was placed on the market in March 2016.

Note

15 Investment Property (continued)

Accounting policies concerning investment property

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

Depreciation
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

16 Held for Sale

	2016 $000	2015 $000
Land	83	0
Buildings	837	0
Fixture and Fitting	26	0
	946	**0**

Assets held for sale are measured at the lower of their carrying amount prior to classification as held for sale or their net fair value. The expected revenue from the sale of the assets is greater than their carrying value and no impairment loss is expected.

Accounting policies concerning assets held for sale

Classification
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
Impairment losses on initial classification as 'held for sale' are included in the Statement of Comprehensive Income.

Note

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

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

Summarised financial information for the BCI joint venture	2016 $000	2015 $000
Statement of Financial Position		
Current assets		
Cash and cash equivalents	40	512
Other current assets	2,432	1,541
	2,472	**2,053**
Current liabilities		
EA Networks preferential right to income	1,648	1,080
Loan	0	10,440
Financial liabilities (excluding trade payables)	1,322	500
Other current liabilities (including trade payables)	2,800	6,414
	5,770	**18,434**
Working capital	**(3,298)**	**(16,381)**
Non-current assets	**86,522**	**48,538**
Non-current liabilities		
Financial liabilities	47,380	5,962
Other liabilities	5,596	4,553
	52,976	**10,516**
Net assets	**30,248**	**21,642**
Statement of Financial Performance		
The Company's share of income and expenses are:		
Income	13,570	10,020
Expenses	(10,247)	(8,425)
Interest	(2,292)	(812)
Depreciation and amortisation	(2,516)	(1,304)
Net Loss for the Period	**(1,485)**	**(521)**
EA Networks preferential right to income	(2,069)	(1,381)
Pre-tax profit from continuing operations	**(3,554)**	**(1,902)**
Income tax expenses	0	0
Post-tax profit from continued operations	**(3,554)**	**(1,902)**
Other comprehensive income	0	3,634
Total comprehensive income	**(3,554)**	**1,732**

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	21,642	13,377
Capital contributions made by Barrhill Chertsey Irrigation Limited in the year.	6,080	3,933
Capital contributions made by EA Networks	6,080	2,600
Total comprehensive income	(3,554)	1,732
Closing net assets	30,248	21,642
Interest in joint venture' (50%)	15,124	18,821
Carrying value	**15,124**	**18,821**
Made up of		
Equity invested	18,680	12,600
Retained Earnings	(5,373)	(3,596)
JV Revaluation	1,817	1,817
Carrying Value	**15,124**	**10,821**

Note

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

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 Joint Venture agreement includes a schedule detailing preferential right to income for EA Networks. For the 2016 year this preferential right to income was $2,068,356 (2015 $1,381,000). This payment is classed as an operating cost and operating income respectively in the Joint Venture's and EA Networks' financial statements.

Accounting policy concerning Joint Venture

Equity Method

The Company's interests in jointly controlled entities are accounted for using the equity method.

Joint Venture accounting policies

The Joint Venture accounting policy has been changed where necessary to ensure consistency with the policies adopted by the Company.

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.

18 Derivative Financial Instruments

Cash flow Hedges	**2016 $000**	**2015 $000**
Current Assets		
Interest Rate CAPS	0	26
Interest Rates SWAPS	0	21
	0	47
Non-Current Assets		
Interest Rate CAPS	28	31
Interest Rates SWAPS	0	66
	28	97
Current Liabilities		
Interest Rate SWAPS	(65)	0
Non-Current Liabilities		
Interest Rate SWAPS	(782)	(270)
	(782)	(270)
Total Value of Derivative Financial Instruments	**(819)**	**(126)**

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.

Note

18 Derivative Financial Instruments (continued)

Accounting policies relating to derivative 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 the 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.

19 Trade and Other Payables

	2016 $000	2015 $000
Trade Creditors	3,849	3,468
Interest Accrual	482	586
	4,331	**4,054**

Accounting policies concerning trade and other 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 and other payables are initially recognised at fair value and subsequently at amortised cost using the effective interest method.

20 Employee Entitlements

	Leave Entitlement $000	Other Entitlement $000	Total Entitlement $000
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**
Balance as at 1 April 2015	**1,017**	**738**	**1,755**
Movement During the Period	88	89	177
Balance as at 31 March 2016	**1,105**	**827**	**1,932**

Accounting policy for Employee Entitlements

Employee benefits are allocated into:

Leave Entitlement.

Leave Entitlement is made up of 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. With the exception of long service leave which is made up of the actual cost of the benefit for employees who have this leave due and an accrual towards to an employee next entitlement.

Other Entitlement

Other Entitlements is made up of gratuities which is 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.

21 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 2016			
Current Assets			
Trade receivables	7,645		
Derivative financial instruments			
Non-Current Assets			
Derivative financial instruments		28	
Total	7,645	28	0
Liabilities as per Statement of Financial Position as at 31 March 2016			
Current Liabilities			
Cash and Cash equivalents	50		
Trade payables			4,331
Derivative financial instruments		65	
Non-Current Liabilities			
Borrowings			88,800
Derivative financial instruments		782	
Total	50	847	93,131

	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 Derivate financial instruments	7,446	144	0
Liabilities as per Statement of Financial Position as at 31 March 2015			
Current Liabilities			
Trade payable			4,054
Non-Current Liabilities			
Derivative financial instruments		270	
Borrowings			81,950
Total Derivative financial instruments		270	86,004

Foreign Exchange Risk

The Company has no foreign exchange contracts in place at 31 March 2016 or 31 March 2015.

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%

21 Financial Instruments (continued)

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.

	2016	2015
External funding arrangements		
Overdraft facility - BNZ	$500,000	$500,000
Long Term funding		
Maturing within 12 months		
Cash advance facility with BNZ	$0	$0
Maturing greater than 12 months		
Drawn down Westpac multi option credit line facility	42,000,000	$32,000,000
Cash advance facility with BNZ	53,000,000	$53,000,000
	$95,000,000	$85,000,000
Total long term funding available	$115,000,000	$85,000,000
Contractual Performance Bonds		
Dollar value of bonds in place with Westpac	81,536	$41,107
Number of bonds in place with Westpac	3	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.

Interest Rate Risk		6 months and less $000	6-12 months $000	1-2 years $000	2-5 years $000
2016					
Effective Total		34,300	5,000	18,500	31,000
Interest Rate	From	2.99%	4.36%	4.01%	3.75%
	To	5.14%	4.80%	4.95%	5.36%
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.

21 Financial Instruments (continued)

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
2016				
Effective Total	1,850	2,991	2,857	6
Interest on principal from now to maturity	0			88,800
Effective Total	1,850	2,991	2,857	88,006
Interest on principal due				
From	2.99%	2.99%	2.99%	2.99%
To	5.36%	5.36%	5.36%	5.36%
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 2017. 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.

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 2016 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 2016	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 rate swaps and caps	0	28	0	28
Total assets	0	28	0	28
Financial liabilities at fair value through the Statement of Financial Performance				
Derivatives used for hedging				
Interest rate swaps and caps	0	847	0	847
Total liabilities	0	847	0	847

21 Financial Instruments (continued)

Liquidity Forecast (continued)

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 rate swaps and caps	0	144	0	144
Total assets	0	144	0	144
Financial liabilities at fair value through the Statement of Financial Performance				
Derivatives used for hedging				
Interest rate swaps and caps	0	270	0	270
Total liabilities	0	270	0	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.

Accounting policies relating to financial instruments

Classification

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

Recognition

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.

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 rates Swaps and caps

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.

Note		2016 $000	2015 $000
22	**Reconciliation of Net Cash Flows from Operating Activities to operating Surplus after Taxation**		
	Operating Surplus After Taxation	**5,896**	**5,678**
	Add / (Less) Non-Cash Items:-		
	Depreciation and Amortisation	9,645	9,446
	Movement in Financial Derivatives	693	734
	Movement in Deferred Taxation	740	1,148
	Deferred Tax recorded in other comprehensive income	0	(509)
	Loss on sale	612	763
	Discount used by shareholders to purchase shares	94	116
	Return on Investment in Joint Venture	(2,068)	(1,381)
	Amortisation of naming rights	66	0
	Loss from Joint Venture	1,777	951
	Total Non-Cash Items	**11,559**	**11,268**
	Movement in net Current Assets / Liabilities:-		
	Decrease / (Increase) in Inventory	135	(846)
	Decrease / (Increase) in Trade and Other Receivables	(383)	(726)
	Increase / (Decrease) in Trade and Other Payables	277	1,120
	Increase / (Decrease) in Employee Entitlement	177	29
	Increase / (Decrease) in Taxation payable	(19)	(358)
	Total net Current Assets/Liabilities movement	**187**	**(781)**
	Other:-		
	Inventory transferred from Property, Plant and Equipment	(42)	0
	Trade and Other Payables relating to Property, Plant and Equipment.	(2,794)	169
	Total Other	**(2,836)**	**169**
	Net Cash Flows from Operating Activities	**14,806**	**16,334**
23	**Operating Lease**		
	Lessee		
	Not later than 1 year	1,254	1,626
	Later than 1 year and not later than 5 years	5,015	4,829
	Lessor		
	Not later than 1 year	528	483
	Later than 1 year and not later than 5 years	1,320	1,193

Accounting policies concerning 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.

Note		2016 $000	2015 $000
24	**Capital Commitments**		
	Electricity Ashburton Limited		
	Transformers	2,882	597
	Consignment Stock	695	1,195
	Circuit breakers	362	83
	Cable	650	724
	Substation Equipment	1,530	
	External contracting services		613
	Other capital items	92	
	Ring Main Units	310	
	Software and computer equipment	120	153
	Vehicle	574	0
		7,215	**3,365**
	Share of Barrhill Chertsey Irrigation Limited and Electricity Ashburton Limited Joint Venture		
	Construction cost	**151**	7,658
	Total Capital Commitments	**7,366**	**11,023**

25 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 (2015 $17,500,000).

Note		2016	2015
26	**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	229,084	215,591
	Lease	0	0
	Other services	23,042	4,098
	Outstanding at balance date		
	Rates	38,569	36,328
	Other services	980	2,636
	Ashburton District Council has paid EA Networks:		
	Contracting and Capital Contributions	223,596	224,779
	Other	32,218	8,831
	Outstanding at balance date		
	Contracting and Capital Contributions	22,510	88,831
	Other	6,846	1,279
	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	152,084	160,317
	Outstanding at balance date	12,887	11,645
	Ashburton Contracting Limited (ACL)		
	Mr M W Frost is a Director of EA Networks and a Director of ACL.		
	EA Networks has paid Ashburton Contracting Limited:		
	Contracting Services	898,153	706,257
	Vehicle Repairs	55.595	21,550
	Other	4,670	3,698
	Outstanding at balance date		
	Contracting Services	95,177	159,515
	Vehicle Repairs	0	2,102
	Other	2,337	0
	Ashburton Contracting Limited has paid EA Networks:		
	Contracting Services and Other Services	18,367	49,474
	Outstanding at balance date	1,490	41,365
	Barrhill Chertsey Irrigation Limited Electricity Ashburton Limited Joint Venture		
	The Joint venture has paid EA Networks		
	Management Fees	22,212	15,404
	Preferential right to income	1,506,625	1,200,000
	Contracting Services	263,918	131,569
	Other	81,584	0
	Outstanding at balance date		
	Right to income (not due for payment until 30 June)	1,648,488	1,080,756
	Management Fee	1,851	1,000
	Other	22,873	0
	Contracting services	165,178	0
	Irrigo Centre Limited		
	Irrigo Centre limited has paid EA Networks:		
	Lease	59,670	52,020
	Outstanding at balance date	5,446	4,727

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		2016 $000	2015 $000
27	**Key Management Personnel Compensation**		
	The compensation of executives being the key management personnel of the Company is set out below:		
	Short term employment benefits	1,285	1,235
	Post-employment benefits	0	0
	Long term benefits	0	0
	Termination benefits	0	0
	Outstanding benefits at balance date		
	Long term benefits outstanding	0	14
	Termination benefits outstanding	89	108

28 Subsequent Events

There are no other events subsequent to balance date that would materially affect these financial statements.

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 6 to 30, which comprise the statement of financial position as at 31 March 2016 and the statement of comprehensive income, the statement of changes in equity and members' interests and the statement of cash flows for the year then ending, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with New Zealand Equivalents to International Financial Reporting Standards 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). 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 are independent of the Company. Our firm carries out other services for the Company in the areas of compliance with the Electricity Distribution (Information Disclosure) Requirements 2008 and other regulatory requirements of the Commerce Act 1986. These services have not impaired our independence as auditors of the Company.

PricewaterhouseCoopers
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Independent Auditors' Report

Electricity Ashburton Limited

Opinion

In our opinion, the financial statements on pages 6 to 30 present fairly, in all material respects, the financial position of the Company as at 31 March 2016, and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards.

Restriction on Use of our Report

This report is made solely to the Company's shareholders, as a body, in accordance with the Companies Act 1993. Our audit work has been undertaken so that we might state 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**
15 June 2016