2014 / 2015

Annual Report

The Lines Company Limited

(and subsidiary companies)

Annual Report

for the year ended 31 March 2015

Contents

Results in Brief ... 4
Report from the Chair and Chief Executive ... 5
Independent Auditor's Report ... 11
Business unit analysis ... 14
Corporate Governance Statement ... 17
Statement of Service Performance ... 21
  Statement of Comprehensive Income ... 22
  Balance Sheet ... 23
  Statement of Changes in Equity ... 24
  Cash Flow Statement ... 25
  Notes to the financial statements ... 27
Glossary of terms ... 62
Corporate directory ... 63

Cover Photo
Taken in Asset Group 128-05 Mokau

Results in Brief

Financial performance

	2015 $'000	2014 $'000	2013 $'000	2012 $'000	2011 $'000	2010 $'000
Revenue	49,139	48,591	45,377	42,211	43,543	40,523
EBITDA	24,635	23,434	22,249	22,333	22,712	18,956
EBIT	13,465	12,646	11,613	12,568	14,100	10,617
Profit before tax	10,542	9,568	8,244	9,352	11,004	8,396
Profit after tax	7,341	7,315	5,840	6,733	7,744	6,060
Operating cash flow before tax	21,302	22,633	19,536	17,368	19,349	16,554
Dividends paid	5,000	4,950	4,932	3,560	3,250	3000
Total assets	245,253	249,776	234,358	233,190	181,438	177,442
Shareholder funds	138,894	145,565	141,281	140,489	101,970	96,074
Shareholder equity	135,894	142,565	138,281	137,489	98,970	93,074
Debt to assets ratio	25.1%	25.3%	22.2%	21.8%	28.2%	29.9%
Capital ratio	55.4%	57.1%	59.3%	59.0%	54.5%	52.5%
Return on average equity	5.3%	5.2%	4.2%	4.9%	7.8%	6.5%
Earnings per share net of tax (cents)	62	56	44	51	59	46

Operating performance

	2015	2014	2013	2012	2011	2010
Outage minutes per customer						
Planned	75	84	83	72	64	91
Unplanned	204	187	117	253	228	193
Total	279	271	200	325	292	284
Outage per customer						
Planned	0.42	0.46	0.54	0.51	0.48	0.56
Unplanned	3.64	3.67	1.79	3.48	2.99	3.06
Total	4.06	4.13	2.33	3.99	3.47	3.62

Report from the Chair and Chief Executive

Overview

During the 2014/15 year many of the organisational strategic initiatives identified in earlier years were put into place. These included investment in structure, people and processes. The changes are in various stages of the evolutionary cycle and will be refined via continuous development over the next few years and will be guided by the Company's vision.

The principle tactical objective in addition to stabilising the organisation is getting it prepared to deliver customer value.

Looking forward the focus is on accelerating the development of integral parts of the business so the Company is positioned for future changes facing the industry with the ultimate objective being to increase the value of the Company for the benefit of the shareholders.

The industry is increasingly recognising that the evolution of solar, storage, electric vehicles and information technologies will change the way network companies do business. TLC saw these changes coming many years ago, in addition to the demographics of a rural area that was depopulating as part of urban drift and farming efficiency gains. Much of the TLC network area is remote, rugged hill country with no easy way to obtain water resources for irrigation, and as such it has been largely been bypassed by the national dairying growth. The area is also some distance away from large cities and regions that are seeing population growth and thus opportunities for increasing revenue. This has meant that TLC has had to focus on adapting and changing the way that energy infrastructure services are supplied to less populated regional areas.

In the mid-2000's the network was in poor condition and needed extensive renewal if it was going to meet future hazard control and reliability needs. To address the network condition TLC has continued to focus on becoming more efficient and effective in completing network renewals as well as refining its revenue streams to get the money to pay for this work. We have an eye firmly on the future given that we will be subject to disruptive pressures from pending technology changes and will need to put in place strategies to make use of both the intellectual property, organisational resources and regional resources that are available.

Staff and public safety

Several reviews and audits were completed of TLC's Health and Safety practices during the year. This has resulted in a plan being put together to improve the documentation of TLC's systems to support the many positive initiatives taking place within the organisation. An example of which is the way that TLC's inspection and renewal program has been identifying hazards and ensuring they are removed.

During the year there were no incidents of major harm to staff or customers.

Financial

Any advancement in organisational positioning is always difficult without it being financially secure. In this context TLC achieved its financial targets for the 2014/15 year with key points being outlined in Figure 1.

Operating Budget

- Network profit ahead due to lower costs of repairs and maintenance.
- Partial write down of JDE investment.
- Metering and Contracting ahead.
- Corporate costs up due to one off compliance costs.
- Bottom line ahead of budget before one off cost of JDE impairment.

Balance Sheet

- Network Capex completed at a lower cost than budget.
- Debt reduced.
- Slightly less spend in metering replacement program but initatives underway to address the high number of diffcult sites encountered.

Cash Resources

- Adequate cash available to cover company operations.

Figure 1: Financial Highlights

As part of the financial reporting standards, the value of the network assets was independently reviewed and this has seen an increase in value by about $8million. All of the financial targets have also been met. The operating financial summary is illustrated by the waterfall graph in Figure 2.

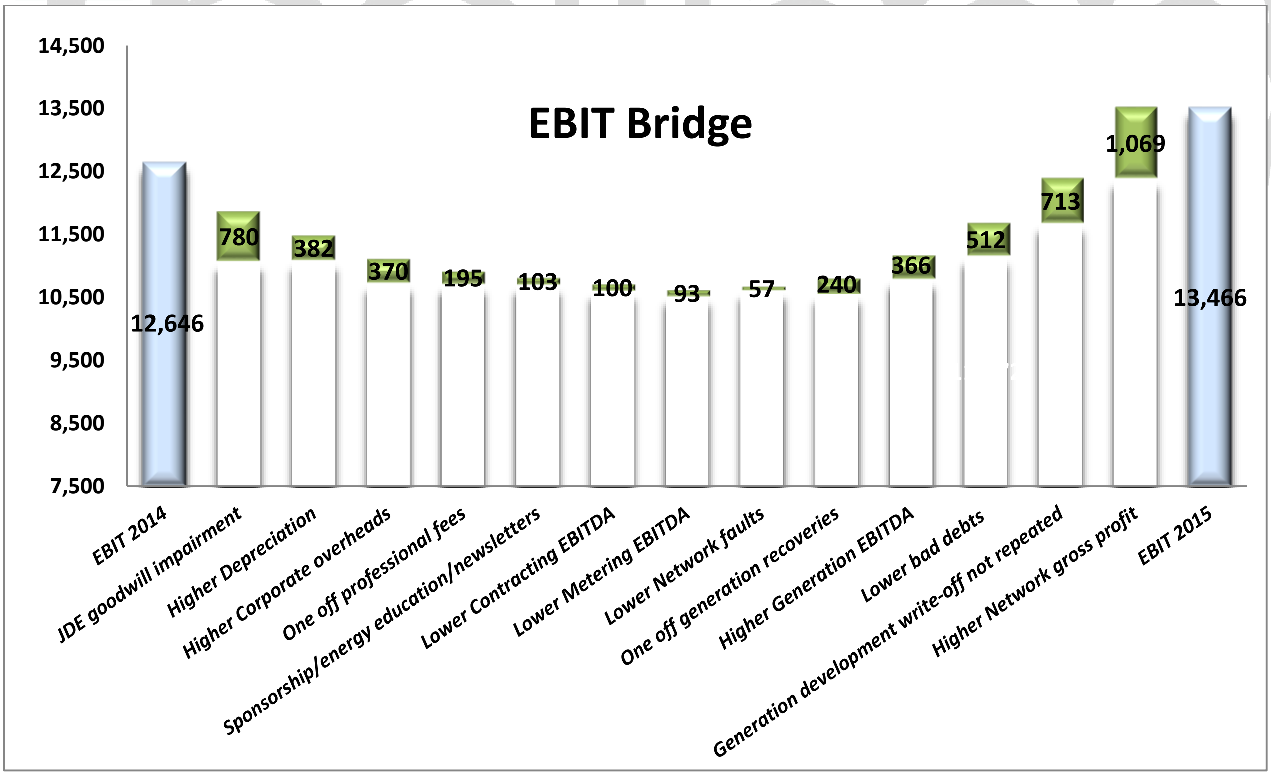
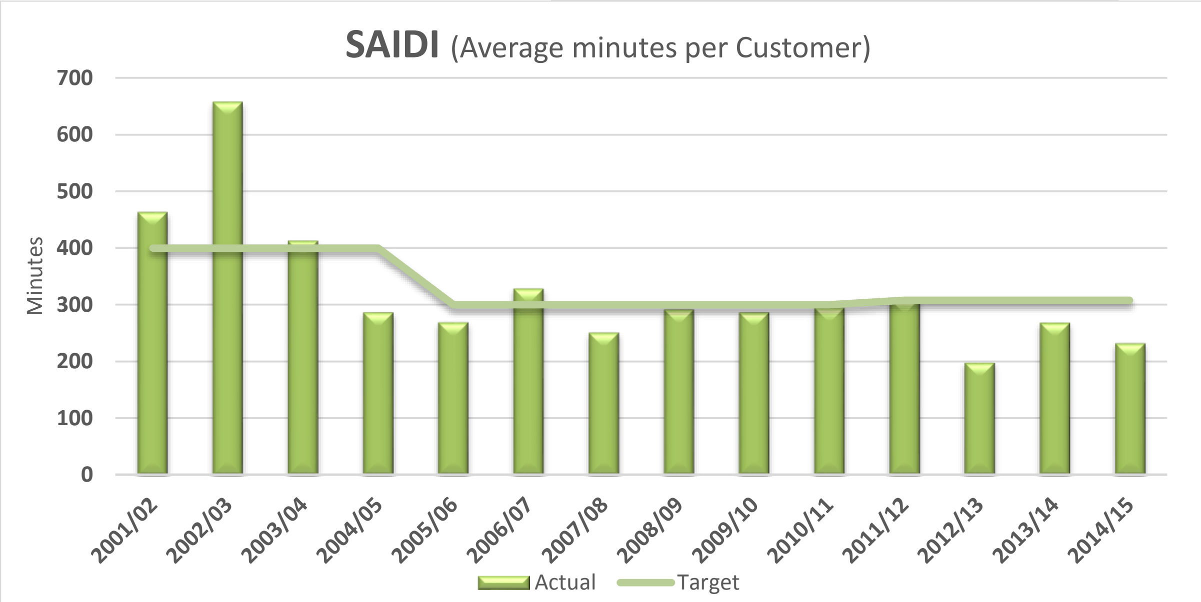


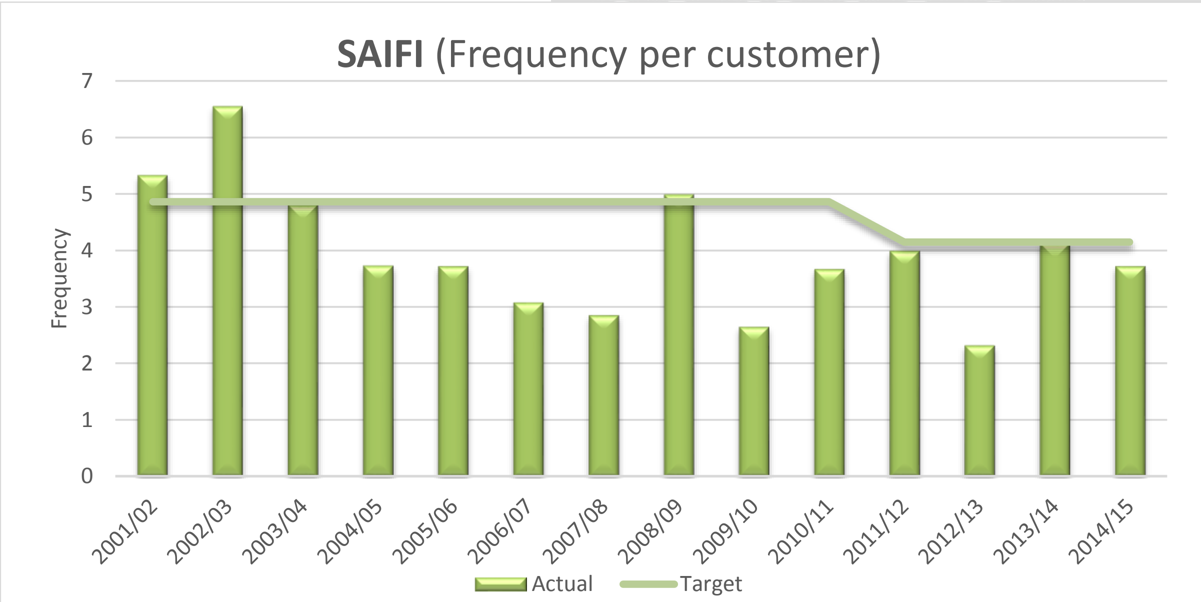
Figure 2: Operating Financial Summary

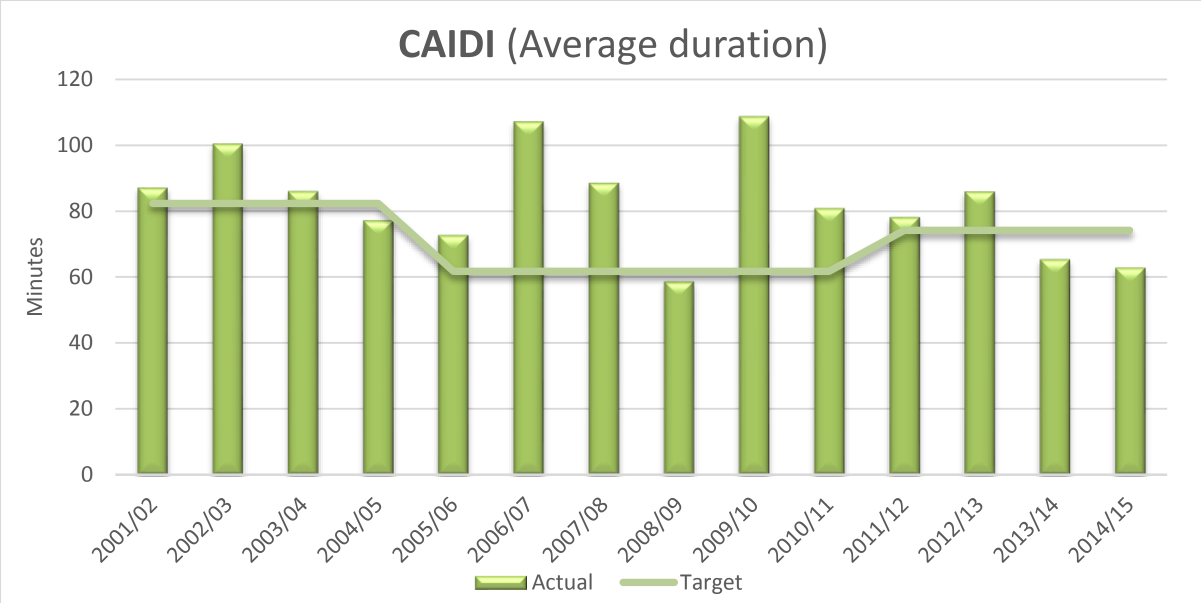
Network Reliability

The two widely used network reliability performance indices were under the assessment limits as defined by the Commerce Commission. In the early 2000's the customers' actual level of required network reliability requirements was determined by consultation. Since this time the feedback from customers has continued to support these levels and the reliability achieved for 2014/15 was better than determined by the earlier consultation. One of the outcomes of the renewal spend has been to stabilise these levels over the past few years. While this has been achieved, it needs to be recognised that a series of storms or a major one off failure in a key part of the sub transmission system has the potential to cause fluctuations in these figures from time to time.

Figures 3, 4 and 5 illustrate the trend over the last few years using the industry indices of SAIDI (average length of each outage in minutes), SAIFI (average number of outages each customer sees) and CAIDI (average time to restore supply).







Consolidation

In the last financial year WESTCO Ltd, a company owned 100% by Waitomo Energy Services Customer Trust, purchased 1,316.312 shares from King Country Electric Power Trust. This transaction effectively gave WESCT 100% beneficial ownership of TLC. On 28th August 2014 WESTCO and TLC were amalgamated; contemporaneously the shares held by WESTCO Ltd were cancelled – the overall effect of this was a reduction in shareholder equity in TLC by $13.5m. This has been reflected through a reduction in the retained earnings.

Customers

TLC's unique charging approach was introduced before the development of more advanced load control systems and metering. Meters now available measure more granular than half hourly quantities during periods of load control and TLC has continued to develop its load control strategies. The rollout of advanced meters has accelerated, and emphasis is being placed on improving customer understanding of energy use and power demand. Full deployment of advanced meters means that pricing will be increasingly be based on the actual energy consumed during periods of load control.

Presentations were made to customers at public meetings in six areas giving further information and explanation as to the reason for TLC's approach and how they can reduce demand. In addition to this there were bi-monthly newsletters and numerous customer clinics and other interaction with customers. Annually TLC staff handle 50,000 to 70,000 interactions with customers and increasingly these are being resolved at the initial customer contact.

These interactions with customers has meant that a better understanding of their needs has been developed and with this in mind, Sapere Consulting was engaged to review the structure of our pricing to see how it could be adjusted to better align with the customer requirements. The work identified a number of key areas and these are the focus for the development of the organisation's pricing and related technology over the next few years.

Contracting

The efficiency and effectiveness of the in house contracting team has continued to improve over the last few years. Over the last 12 months they have completed almost all of the capex work at a cost below estimates. They have also responded to faults in an effective and efficient way that has ensured that the network CAIDI (time to restore) performance has remained consistent.

Metering

TLC's metering subsidiary achieved a number of important milestones during the year including:

- The development of processes and IP around the ramping up of the advanced meter deployment process.
- The 'over the air' deployment of updated firmware to over 7000 new meters.
- Initiating a major Off Network advanced meter deployment project.
- The appointment of an experienced Manager with a commercial focus to take the metering business forward.

JDE

As a result of changed trading conditions an impairment review of the value of the goodwill of JDE occurred. This resulted in an impairment of $780,000 being recognised. JDE produced a solid profit contribution in line with budget to the Group result.

Generation

The generation schemes all showed positive cashflows through a period of low energy prices. There has been a series of minor improvement works at each site. Generation volumes will increase, notwithstanding the schemes are all subject to climatic conditions.

Regulatory

In November 2014 the Commerce Commission reviewed the level of Maximum Allowable Revenue (MAR) for all network companies. Following this review and after the March 2015 price reset TLC revenue is running approximately 9% below the MAR. During the 2014/15 year the regulated revenue was below the regulated MAR.

The focus of much of the present regulator detail is toward the legacy model of network companies billing retailers on a fixed and volumetric charge basis. TLC's approach of passing unbundled pricing messages onto customers, coupled with a number of complaints from a very small group of customers has meant that significant investment has had to be made in professional advice to confirm that TLC is complying with legislation. One of the most significant of these was an allegation that TLC was not compliant with the low user regulations. The Electricity Authority carried out an investigation into this alleged breach and subsequently decided to discontinue the investigation.

Staffing

During the year the staff has contributed to ensuring the organisation achieved its various targets including its financial performance. We wish to thank all individuals in the organisation for contributing to this.

Outlook

Over the next year TLC's key priorities will include hazard control, stability of the business, automation, changes to the charging approach, customer service, compliance and the development of its longer term strategic positioning. The projected group EBIT for 2015/16, is $14.2m. This sum includes a network contribution which is still below the regulated return allowed by the Commerce Commission. Debt levels are expected to rise due to the acceleration of the metering renewal program but will fall off rapidly after this program is completed in the absence of any new investment strategy.

Over the next year TLC will accelerate its strategic vision with a focus on the customer value proposition whilst maintaining its core network reliability, controlling costs and improving services. It will use all of its existing business activities in an integrated fashion to achieve this. TLC also recognises that because of its size and the need to accelerate technologies quickly it may have to form relationships with other parties.

The future will see changes with the arrival of new technologies and TLC believes it is well positioned to take full advantage of these.

Malcolm Don
CHAIRMAN

Brent Norriss
CEO

Independent Auditor's Report

To the Shareholders of The Lines Company Limited Group's Financial Statements and Statement of Service Performance for the year ended 31 March 2015

The Auditor-General is the auditor of The Lines Company Limited and its New Zealand domiciled subsidiaries and other controlled entities. The Auditor-General has appointed me, Sharon Cresswell, using the staff and resources of PricewaterhouseCoopers, to carry out the audit of the financial statements and the statement of service performance of the group, consisting of The Lines Company and its subsidiaries and other controlled entities (collectively referred to as 'the Group'), on her behalf.

Opinion on the financial statements and the statement of service performance
We have audited:

- the financial statements of the Group on pages 22 to 61, that comprise the balance sheet as at 31 March 2015, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the statement of service performance of the Group on page 21.

In our opinion,

- the financial statements of the Group:
    - present fairly, in all material respects:
        - its financial position as at 31 March 2015; and
        - its financial performance and cash flows for the year then ended; and
    - have been prepared in accordance with generally accepted accounting practice in New Zealand.
- the statement of service performance of the Group:
    - presents fairly, in all material respects, the Group's achievements measured against the performance targets adopted for the year ended 31 March 2015; and
    - has been prepared in accordance with generally accepted accounting practice.

Our audit was completed on 19 June 2015. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities, and explain our independence.

Basis of opinion
We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements and the statement of service performance are free from material misstatement.

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

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

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Board of Directors;
- the adequacy of the disclosures in the financial statements and in the statement of service performance; and
- the overall presentation of the financial statements and the statement of service performance.

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

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

Responsibilities of the Board of Directors

The Board of Directors is responsible for the preparation and fair presentation of financial statements and a statement of service performance for the Group, in accordance with generally accepted accounting practice in New Zealand and generally accepted accounting practice.

The Board of Directors is also responsible for such internal control as it determines is necessary to enable the preparation of financial statements and a statement of service performance that are free from material misstatement, whether due to fraud or error. The Board of Directors is also responsible for the publication of the financial statements and the statement of service performance, whether in printed or electronic form.

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

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and the statement of service performance and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001 and section 45(1) of the Energy Companies Act 1992.

Independence

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

In addition to the audit we have carried out assignments in the areas of Default Price-Quality Path Compliance audit, Information Disclosure audit, other 53ZD request audits, and other accounting and regulatory advice which are compatible with those independence requirements. Other than the audit and these assignments, we have no relationship with or interests in the Company or any of its subsidiaries.

Sharon Cresswell
PricewaterhouseCoopers
On behalf of the Auditor-General
Hamilton, New Zealand

Business unit analysis

Business units

For management purposes, the Group is currently organised into five operating divisions. These divisions are the basis on which the Group reports its primary business unit information.

Principal activities are as follows:

A. Network, which provides an electrical distribution system for the conveyance of electricity from the national grid and generators to the network's customers' supply points.
B. Meters and relays, which owns and supplies meter and relay equipment for both customers of the The Lines Company network and on other networks in New Zealand.
C. Contracting, which provides electrical maintenance and electrical asset construction services to customers and is an internal service provider for electrical work required by the Network.
D. Generation, which involves the investigation, design, construction and management of small hydro-electricity schemes in the North Island.
E. Corporate services, which provides managerial support for the operating divisions listed above.

Business unit information about these businesses follows on pages 14 to 16.

Pricing for intercompany transactions is based on a commercial arms' length basis with reference to the cost of using external service providers.

Continuing operations

The following business unit analysis presents net results in some areas, i.e. some revenue is netted off against expenses where revenue is passed through from another internal business unit and will therefore not necessarily be directly comparable to the revenue and expenses on the Consolidated Statement of Comprehensive Income.

A. Network

	2015 $'000	2014 $'000
Revenue	38,008	36,476
Less transmission charges	7,053	6,724
Gross profit	30,955	29,752
Expenditure		
Maintenance costs	3,280	3,151
Network support costs	2,020	1,732
Billing & revenue collection	1,192	1,276
Customer liaison	521	658
Regulatory & pass through costs	192	162
Insurance	152	137
Bad debts and impairment of trade receivables	(161)	336
Depreciation and amortisation	7,484	7,201
Total expenditure	14,680	14,653
Earnings before interest and tax	16,275	15,099

Business unit analysis

B. Meters and relays

	2015 $'000	2014 $'000
Revenue	3,669	3,564
Expenditure		
Administration costs	601	388
Depreciation and amortisation	2,084	2,011
Total expenditure	2,685	2,399
Earnings before interest and tax	984	1,165

C. Contracting

	2015 $'000	2014 $'000
Revenue		
External revenue		
Construction contract revenue	1,498	2,247
Service contract revenue	3,793	4,849
Internal revenue		
Revenue from Network maintenance services	2,449	1,816
Revenue from Network capital works	6,605	5,014
	14,345	13,926
Expenditure		
Costs including labour, materials and overheads	12,196	11,663
Impairment of JDE Goodwill	780	-
Bad debts and impairment of accounts receivable	14	-
Depreciation and amortisation	676	711
Total expenditure	13,666	12,374
Surplus before profit adjustment on internal capital works	679	1,552
Less profit adjustment on internal capital works	104	94
Earnings before interest and tax	575	1,458

Internal revenue is charged to the Network division for its maintenance and capital works at the same commercial terms that similar customers external to the Group would be charged. Internal revenue is deducted from revenue and expense in the Consolidated Statement of Comprehensive Income.

Business unit analysis

D. Generation

	2015 $'000	2014 $'000
Revenue	2,097	1,389
Expenditure		
Costs including labour, materials and overheads	990	923
Development costs	-	711
Depreciation and amortisation	640	693
Total expenditure	1,630	2,327
Surplus/(Deficit) before interest and tax	467	(938)

E. Corporate services

	2015 $'000	2014 $'000
Revenue	21	30
Expenditure		
Finance	1,100	830
Auditor remuneration - financial statement audit fees	162	173
Auditor remuneration - regulatory audit fees	55	71
Auditor remuneration - OAG fees	15	15
Auditor remuneration - regulatory advice	25	53
Building maintenance	101	100
Corporate expenses	904	901
Directors fees and expenses	209	200
Information technology	372	319
Public and human relations	877	679
Project investigations	201	209
Network pricing & regulatory	549	446
Depreciation and amortisation	286	172
Total expenditure	4,856	4,168
Deficit before interest and tax	(4,835)	(4,138)

Geographical segments

The Group operates mainly in the King Country, New Zealand in one geographical location; however, it does own meter and relay assets that are located throughout New Zealand and one hydro generation station in Gisborne/East Cape.

Corporate Governance Statement

This Governance Statement provides information on how The Lines Company Group is directed and controlled and, in particular, the role of the Board of Directors.

Overview

Principal Activities

During the year the Company has been engaged principally in the construction and operation of an electricity distribution network.

Ownership

The Lines Company Limited (the "Company") is wholly owned by the Waitomo Energy Services Customer Trust.

Regulatory Framework

The Company came into existence on 26 March 1993. The Company is a profit oriented, limited liability company incorporated in New Zealand and registered under the Companies Act 1993. Activities of the electricity lines business are regulated under the terms of the Electricity Act 1992 and the Electricity Industry Reform Act 1998. Compliance with the Commerce Act 1986 and the Electricity Industry Reform Act 1998 is administered by the Commerce Commission.

Authority of the Board

The Board's authority and accountability is based on the regulatory framework and the Statement of Corporate Intent (SCI). The SCI is produced annually and sets out the Board's strategic objectives, specific goals and performance targets, as agreed with the shareholders. The Company reports half yearly and annually to its shareholders.

The Board and Management of the Company are committed to ensuring that the Company adheres to best practice governance principles.

Board Composition and Performance

The Directors and Chair are appointed by the shareholders. All directors are non executive members and are independent.

The Constitution of the Company contains the following mandate:

- the number of Directors may not be fewer than 4 nor more than 7;
- at every annual general meeting one third of the Directors shall retire from office;
- a retiring Director is eligible for re-election.

The primary responsibilities of the Board include:

- the approval of the annual financial report;
- the establishment of the long term goals of the Company and strategic plans to achieve those goals;
- succession planning for the CEO;
- the review and adoption of annual budgets for the financial performance of the Company and monitoring the results;
- ensuring that the Company has implemented adequate systems of internal controls including internal financial controls together with appropriate monitoring of compliance activities;
- ensuring legislative compliance;
- monitoring executive management;
- communicating with stakeholders; and
- health and safety.

Governance Statement

Risk Management

The Board has adopted a formal risk policy and risk management framework. The Board is responsible for reviewing and ratifying systems of risk management and the systems of internal controls. The Board monitors the operational and financial aspects of the Company's activities and considers the recommendations and advice of external auditors and other external advisors on the operational and financial risks that face the Company.

Treasury Management

Exposure to treasury related financial risks is managed in accordance with the Company's treasury policy. This policy sets out financial and treasury management objectives, specific responsibilities, limits on management authority, permissible financial instruments and reporting and monitoring requirements. Under the treasury policy the Board is responsible for approving all treasury and interest rate strategies and any changes to those strategies.

Board Meetings

The Board met formally eight times during the year, excluding meetings held by teleconference.

Board Committees

The Board has three operating committees.

Remuneration Committee

The Remuneration Committee comprises the Chair and one additional director. The purpose of the committee is to ensure that the Company's CEO and senior executives are fairly rewarded for their individual contributions to the Company's overall performance.

The Remuneration Committee reviews the remuneration of the CEO and senior executive officers on an annual basis and makes recommendations on remuneration packages and terms of employment to the Board. Remuneration packages, which consist of base salary, fringe benefits, incentive schemes (including performance-related bonuses), superannuation, and entitlements upon retirement or termination, are reviewed with due regard to performance and other relevant factors.

Audit Committee

The Audit Committee comprises the Chair and other directors available. The Audit Committee provides a forum for the effective communication between the Board and external and internal auditors.

The Audit Committee reviews:

- the effectiveness of management information systems and systems of internal control;
- the appointment of external auditors; and
- the efficiency and effectiveness of the internal and external audit functions, including reviewing the respective audit plans.

The Audit Committee generally invites the CEO, CFO, and the external auditors to attend Audit Committee meetings. The Audit Committee also meets with and receives reports from the external auditors concerning any matters that arise in connection with the performance of their role, including the adequacy of internal controls.

Ethics Committee

The Ethics Committee comprises the Chair and the CEO. Questions or concerns of an ethical nature including possible breaches in legal obligation or company policy, are referred to the Ethics Committee.

Governance Statement

Rotation and appointment of directors
At the 2014 Annual Meeting, Messrs Peter Till and Arthur Muldoon retired as Directors. In accordance with the Company Constitution, at each annual meeting of the company one-third (or the number nearest to one-third) of the directors must retire from office. A retiring director is eligible for re-election. In the 2015 Annual Meeting, Mr Simon Young will retire by rotation and is eligible for re-election. In September 2014, Mr Alex Ball resigned as Director.

Remuneration of directors
The following persons held office as Directors during the year and received the following remuneration:

	2015	2014
A Malcolm Don (Chair)	62,830	61,000
John Rae	33,475	625
Peter Till	33,475	32,500
Simon Young	33,475	32,500
Alex Ball (ceased 30 Sept 2014)	17,532	625
Arthur P Muldoon (ceased 31 July 2014)	11,158	32,500
Earl Rattray (ceased 01 Aug 2013)	-	10,833
John C Lindsay (ceased 01 Aug 2013)	-	10,833
	191,945	**181,416**

Entries recorded in the interest register
In their personal capacity as customers or as a director of a company listed below, the Directors and Officers may have received contracting services from the Company. All such services were on a commercial arms' length basis.

The following changes were registered in the interest register for 2015

John Rae
- Director PIE Funds Management Limited Ceased 31 May 2014
- Director of Eastland Group Limited and subsidiaries
- Founding Member of National Infrastructure Advisory Board
- Director and Shareholder of Playtime Holdings Limited
- Director and Shareholder of Taku Honey Limited
- Director of Ngapuhi Asset Holdings Limited
- Interim Chairman Activate Tairawhiti Limited

Subsidiaries of The Lines Company Limited
- Director of Mangakahu Limited
- Director of Clearwater Hydro Limited
- Director of Financial Corporation Limited
- Director of Ranginui Hydro Limited
- Director of John Deere Electrical Limited

Simon Young
- Director of Top Energy Limited and subsidiaries
- Director, Utilise Limited, a wholly owned subsidiary of Opunake Hydro Limited (appointed)

Malcolm Don
- Director Thos corson Holdings Limited Ceased 25 November 2014

Peter Till
- Director Speedys Road Hydro Limited

Directors' Loans
There were no loans by the Company to Directors during the period.

Use of information by Directors
There were no requests received from Directors of the Company to use Company information received in their capacity as Directors that would not otherwise have been available to them.

Governance statement

Auditors

Under section 45 of the Energy Companies Act 1992, the Auditor General is the auditor of the Company. The Auditor General has appointed PricewaterhouseCoopers to undertake the audit.

To ensure that the ability and independence of the auditors to carry out their statutory audit role is not impaired, or could reasonably be perceived to be impaired, the Auditor is not typically engaged in non audit activities, except where providing on regulatory matters. Other than the audit of the Annual Report, the Auditor also performs the audit of the regulatory required Electricity Lines Business Information Disclosure and Default Price Path Threshold Disclosure before these are submitted to the Commerce Commission.

Directors' indemnity and insurance

The Company has insured all its Directors and Staff against liabilities to other parties that may arise from their positions as Directors or Staff. This insurance does not cover liabilities arising from criminal actions.

Directors' and Officers' interests

The following interests may lead to conflict of interest:

A Malcolm Don (Chair) - Director of Counties Power Limited

John Rae - Director of Eastland Group Limited

Peter Till - Chief Executive, Ruapehu District Council

Simon Young - General Manager of Opunake Hydro Limited and its subsidiary Utilise Limited
- Director of Top Energy Limited

The only possible transactions between the above entities and The Lines Company is the supply of line functions and associated services in the normal course of trading.

Ethical conduct

As part of the Board's commitment to the highest standard of conduct, the Company has adopted an ethics policy to guide executives, management and employees in carrying out their duties and responsibilities. The policy is reviewed annually.

Ethical matters that are uncertain are referred to the Ethics Committee for resolution.

Employee remuneration

Grouped below, in accordance with section 211(1)(g) of the Companies Act 1993, are the number of employees or former employees of the Company, excluding Directors of the Company, who received remuneration and other benefits in their capacity as employees, totalling $100,000 or more, during the year:

	Number of employees	
	2015	2014
$380,000 - $390,000	1	-
$330,000 - $340,000	-	1
$240,000 - $250,000	1	-
$230,000 - $240,000	-	1
$200,000 - $210,000	1	1
$150,000 - $160,000	2	-
$140,000 - $150,000	1	1
$130,000 - $140,000	5	1
$120,000 - $130,000	3	4
$110,000 - $120,000	4	2
$100,000 - $110,000	5	-
	23*	11

* This figure includes 7 people who left the Company during the year.

Statement of Service Performance

Performance against targets set in the Statement of Corporate Intent for the year ended 31 March 2015 was as follows: (All dollar amounts are in $'000)

	Actual	Target
1. Return on average net assets	4.0%	4.3%
2. Return on equity		
Average equity (including subordinated debentures)	142,230	140,250
Return on Equity	5.2%	5.8%
Revaluation of Assets	4.1%	0.0%
Gross return	9.3%	5.8%
3. Borrowings (excluding subordinated debentures)	47,950	54,050
4. Equity (including subordinated debentures) to assets ratio	58.0%	> 40%
5. Domestic price ranking in MBIE survey		
To be ranked greater than 10th out of 42 electricity lines company regions.		
Waitomo	18	> 10th
King Country	23	> 10th
6. Dividends	5,000	5,000
7. Reliability		
The performance target relating to SAID and SAIFI reliability in the Statement of Corporate Intent was for TLC to not breach the reliability limits as set out in the Default Price Path Annual Compliance Statement. The audited Default Price Path Annual Compliance Statement for the year to 31 March 2015 shows that TLC has not breached the reliability limits.	Achieved	
8. Regulated revenues		
To have a Notional Revenue to Allowable Notional Revenue ratio as set out in the Default Price Path Annual Compliance statement.	Achieved	>80%
9. Funding of Community Projects		
To expend $60,000 in supporting community projects	109	60

Statement of Comprehensive Income

for the year ended 31 March 2015

	Note	2015 $'000	2014 $'000
Revenue	4	49,086	48,555
Investment income	7	53	36
Total revenue from continuing operations		49,139	48,591
Transmission charges		(7,053)	(6,724)
Total staff costs recognised as expense		(9,217)	(9,968)
Cost of inventories recognised as expense		(1,857)	(3,661)
Bad debts and movement provision for doubtful debts		16	(358)
Depreciation and amortisation	18 & 20	(11,170)	(10,788)
Finance costs	8	(2,976)	(3,114)
Auditors remuneration - financial statement audit fees		(162)	(173)
Auditors remuneration - regulatory audit fees		(55)	(71)
Auditors remuneration - OAG fees		(15)	(15)
Auditors remuneration - regulatory advice		(25)	(53)
Directors fees and expenses		(209)	(200)
Gain on sale of assets		84	106
Impairment of Goodwill	19	(780)	-
Writeoff of capitalised development costs		-	(711)
Other expenses		(5,177)	(3,293)
Total expenses from continuing activities		(38,596)	(39,023)
Profit before tax		10,543	9,568
Income tax expense	9	(3,201)	(2,253)
Profit for the year		7,342	7,315
Profit for the year is attributable to:			
Equity holders of the parent		7,339	7,330
Non-controlling interest		3	(15)
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Revaluation of network asset, land and buildings	28	8,176	-
Income tax relating to revalued assets	10	(2,289)	-
Other comprehensive income for the year		5,887	-
Items that may be subsequently reclassified to profit or loss			
Cashflow hedge reserve	27	(1,943)	1,458
Income tax relating to cash flow hedges		544	(408)
Other comprehensive income for the year, net of tax		(1,399)	1,050
Total comprehensive income for the year		11,830	7,315
Total comprehensive income is attributable to:			
Equity holders of the parent		11,827	8,380
Non-controlling interest		3	(15)

Notes to the financial statements are included on pages 27 - 61

Balance Sheet
as at 31 March 2015

	Note	2015 $'000	2014 $'000
Current assets			
Cash and cash equivalents	13	837	3,521
Trade and other receivables	14	3,369	3,067
Construction contracts	15	-	98
Inventories	16	1,550	1,418
Current tax asset	11	152	-
		5,908	8,104
Non-current assets			
Property, plant and equipment	18	235,642	225,523
Goodwill	19	860	1,640
Intangible assets	20	1,664	1,455
Deferred tax asset	10	1,083	594
Other financial assets	17	96	13,594
		239,345	242,806
Total assets		245,253	250,910
Current liabilities			
Trade and other payables	22	5,624	5,624
Convertible notes issued by subsidiary	23	250	-
Other financial liabilities	24	2,210	266
Current tax liability	11	-	390
Provision for staff entitlements	25	1,414	1,773
		9,498	8,053
Non-current liabilities			
Provision for staff entitlements	25	-	8
Bank borrowings	23	47,950	51,950
Convertible notes issued by subsidiary	23	1,000	1,250
Subordinated debentures	23	3,000	3,000
Deferred tax liability	10	47,910	44,084
		99,860	100,292
Total liabilities		109,358	108,345
Net assets		135,895	142,565
Equity			
Share capital	26	8,013	8,013
Retained earnings		47,462	58,629
Cashflow hedge reserves	27	(1,591)	(192)
Revaluation reserves	28	81,117	75,230
Equity attributable to parent company		135,001	141,680
Non-controlling interest		894	885
Total equity		135,895	142,565

19 June 2015

~~Angus Malcolm~~ Don, Director

Simon Venn Young, Director

Notes to the financial statements are included on pages 27 - 61

Statement of Changes in Equity

for the year ended 31 March 2015

	Note	Share Capital $'000	Retained Earnings $'000	Cashflow Hedge Reserves $'000	Revaluation Reserves $'000	Total attributable to the owners of the Parent $'000	Non-controlling Interest $'000	Total Equity $'000
Balance as at 31 March 2013		8,013	56,101	(1,242)	75,230	138,102	179	138,281
Profit for the year		-	7,330	-	-	7,330	(15)	7,315
Other comprehensive income								
Interest rate swaps		-	-	1,050	-	1,050	-	1,050
Total other comprehensive income		-	-	1,050	-	1,050	-	1,050
Transactions with owners								
Transaction with non-controlling interest		-	148	-	-	148	721	869
Dividends	12	-	(4,950)	-	-	(4,950)	-	(4,950)
Total transactions with owners		-	(4,802)	-	-	(4,802)	721	(4,081)
Balance as at 31 March 2014		8,013	58,629	(192)	75,230	141,680	885	142,565
Profit for the year		-	7,339	-	-	7,339	3	7,342
Other comprehensive income								
Interest rate swaps		-	-	(1,399)	-	(1,399)	-	(1,399)
Revaluation of land and buildings		-	-	-	(204)	(204)	-	(204)
Revaluation of network assets		-	-	-	6,091	6,091	-	6,091
Prior year adjustment		-	(6)	-	-	(6)	6	-
Total other comprehensive income		-	(6)	(1,399)	5,887	4,482	6	4,488
Transactions with owners								
Amalgamation adjustment	32	-	(13,500)	-	-	(13,500)	-	(13,500)
Dividends	12	-	(5,000)	-	-	(5,000)	-	(5,000)
Total transactions with owners		-	(18,500)	-	-	(18,500)	-	(18,500)
Balance as at 31 March 2015		8,013	47,462	(1,591)	81,117	135,001	894	135,895
Attributable to Equity Holders of the Company		8,013	47,462	(1,591)	81,117	135,001	894	135,895

On 28th August 2014 WESTCO Ltd and The Lines Company Ltd were amalgamated. Both entities were 100% owned by Waitomo Energy Services Customer Trust

Notes to the financial statements are included on pages 27 - 61

Cash Flow Statement

for the year ended 31 March 2015

	Note	2015 $'000	2014 $'000
Operating activities			
Cash receipts from customers		49,197	49,523
Cash paid to suppliers and employees		(24,699)	(23,832)
Net cash flow from operating receipts and payments		24,498	25,691
Interest received	7	53	36
Interest paid		(3,249)	(3,094)
Net cash from operating activities before tax		21,302	22,633
Income taxes paid	11	(2,130)	(2,512)
Net cash from operating activities		19,172	20,121
Investing activities			
Purchases of property, plant and equipment		(12,579)	(12,795)
Purchases of intangible assets		(375)	(311)
Proceeds on disposal of property, plant and equipment		98	278
Loan to related entity	17	-	(13,500)
Gain on sale of shares & notes in subsidiary		-	206
Net cash used in investing activities		(12,856)	(26,122)
Financing activities			
Dividends paid	12	(5,000)	(4,950)
Shares in subsidiary sold to non-controlling interest		-	721
Convertible notes in subsidiary sold to non-controlling interest		-	1,250
Bank borrowings advanced / (repaid)		(4,000)	11,000
Net cash used in financing activities		(9,000)	8,021
Net (decrease)/increase in cash and cash equivalents		(2,684)	2,020
Cash and cash equivalents at the beginning of the year		3,521	1,501
Cash and cash equivalents at end of the year	13	837	3,521

Notes to the financial statements are included on pages 27 - 61

Cash Flow Statement
for the year ended 31 March 2015

Reconciliation of profit before tax to net cash from operating activities before tax

	Note	2015 $'000	2014 $'000
Profit before tax		10,543	9,568
Adjustments for non cash items			
Depreciation and amortisation	18&20	11,170	10,788
Gain on sale of assets		(84)	(106)
Impairment of goodwill	19	780	-
Interest capitalised	8	(178)	(168)
Movement in provision for doubtful debt	14	(180)	358
Stock adjustment		(47)	-
Writeoff of capitalised development costs		-	711
		22,004	21,151
Changes in net assets and liabilities			
Trade and other receivables		(302)	665
Construction contracts		98	36
Inventories		(132)	154
Trade and other payables		-	567
Current provision for staff entitlements		(358)	70
Non current provision for staff entitlements		(8)	(10)
		(702)	1,482
Net cash from operating activities before tax		21,302	22,633

Notes to the financial statements are included on pages 27 - 61

Notes to the financial statements
for the year ended 31 March 2015

1. Statement of compliance
The Lines Company Limited (the "Company") is a profit oriented, limited liability company incorporated in New Zealand and registered under the Companies Act 1993.

The address of its registered office is King Street, East, Te Kuiti and its principal activities are substantially carried out in the greater King Country region of New Zealand. The principal activities of the Company and its subsidiaries (the "Group") are the conveyance of electricity through its distribution network, supply of metering and relay equipment, electrical contracting and electricity generation.

The consolidated financial statements of the group have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). The Group is a for-profit entity for the purposes of complying with NZ GAAP. The consolidated financial statements comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), other New Zealand accounting standards and authoritative notices that are applicable to entities that apply NZ IFRS. The consolidated financial statements also comply with International Financial Reporting Standards (IFRS).

The financial statements were authorised for issue by the Directors on 19 June 2015

Basis of preparation
The financial statements have been prepared on the historical cost basis, except for the revaluation of certain non-current assets and financial instruments.

The Lines Company Limited is a company registered under the New Zealand Companies Act 1993. The financial statements of the Group have been prepared in accordance with the requirements of the Companies Act 1993. As group financial statements are prepared and presented for The Lines Company Limited and its subsidiaries, separate financial statements for The Lines Company Limited are no longer required to be prepared and presented under the Companies Act 1993.

Cost is based on the fair value of the consideration given in exchange for assets.

The financial statements are presented in New Zealand dollars ($NZD), which is the Company and subsidiaries' functional currency and is the Group's presentation currency. All financial information is presented in New Zealand dollars and has been rounded to the nearest thousand dollars.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and have been applied consistently by Group entities.

2. Significant Accounting Policies

a) Basis of consolidation
Subsidiaries are all entities over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

All intra-group transactions, balances, income and expenses are eliminated on consolidation. The results of subsidiaries acquired or disposed of during the year are included in profit or loss from the effective date of acquisition or disposal, as appropriate.

Notes to the financial statements for the year ended 31 March 2015

b) Business combinations

The acquisition of subsidiaries is accounted for using the acquisition method. On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost and amount of non-controlling interest over acquisition value is recognised as goodwill. If, after reassessment, the fair values of the identifiable net assets acquired exceed the cost of acquisition the surplus is recognised immediately in profit or loss. Acquisition costs are expensed as incurred.

The non-controlling interest is the proportional share of the net assets of the Group.

c) Construction contracts

When the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised in proportion to the stage of completion of the contract activity at balance date. This is measured as the proportion that contract costs for work performed to date bear to the total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. Contract costs are recognised as expenses in the period in which they are incurred. When it is expected that total contract costs will exceed total contract revenue, the expected loss is recognised immediately in profit or loss.

d) Employee benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected at the time of settlement.

Provisions made in respect of employee benefits that are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to balance date.

e) Foreign currencies

In preparing the financial statements, transactions in currencies other than the entities' functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for exchange differences on transactions entered into in order to hedge certain foreign currency risks.

f) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except for receivables and payables, which are recognised inclusive of GST.

Notes to the financial statements
for the year ended 31 March 2015

g) Impairment of non-financial assets

At each reporting date the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

h) Current and deferred income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It established provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that as the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Notes to the financial statements for the year ended 31 March 2015

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the group the ability to control the reversal of the temporary difference is the deferred income liability not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available which the temporary difference can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

i) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes the cost of direct materials and other charges, such as freight costs, that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

j) Intangible assets

Software acquired separately is reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. The estimated useful lives of intangible assets used in the calculation of amortisation is 1~7 years.

The cost of such intangible assets is their fair value at the acquisition date. Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses.

Land easements, which grant access or allow network structures to exist over private land, have an indefinite life because the right exists in perpetuity and are therefore not amortised. Land easements are tested annually for impairment.

Resource consents include the rights to construct small hydro schemes. Resource consents for the hydro scheme principally relate to the right to take and inject water. Although these rights have a long term life, due to the recognition of monitoring and renewal costs as operating expenses these rights are classified as having an indefinite life and are tested for impairment annually.

k) Goodwill

Goodwill arising on the acquisition of a subsidiary or a jointly controlled entity represents the excess of the cost of acquisition and the amount of any non-controlling interests in the acquiree over the Group’s interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly controlled entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

Notes to the financial statements
for the year ended 31 March 2015

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. The recoverable amount is the higher of fair value less cost to sell and value in use. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

l) Property, plant and equipment

Network distribution system

Network distribution system assets held for use are stated in the balance sheet at their fair values. Fair values are determined based on valuations adjusted for subsequent purchase costs, disposals, depreciation and impairment. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at balance date.

Any revaluation increase arising on the revaluation of network distribution system assets is credited to the network revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such assets is charged to profit or loss to the extent that it exceeds the balance, if any, held in distribution system assets revaluation reserve relating to a previous revaluation of that asset.

Meter and relay assets

Meters and relays are stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is charged so as to write off the cost of assets over their estimated useful lives, using the straight-line method. The gain or loss arising on the disposal or retirement of an item is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit and loss.

Gifted assets

Property, plant and equipment gifted to the network, such as electricity reticulation of subdivisions, or cash received from customers to connect the customer to the network and to provide on-going network services, are recognised as revenue in the financial year in which the gifted asset is received.

Land and buildings

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at balance date.

Any revaluation increase arising on the revaluation of such land and buildings is credited to the land and building revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such land and buildings is charged to profit or loss to the extent that it exceeds the balance, if any, held in the land and building revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings is charged to profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the land and building revaluation reserve is transferred directly to retained earnings. No depreciation is charged on land.

Notes to the financial statements
for the year ended 31 March 2015

Plant and vehicles

Plant and vehicles are stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is charged so as to write off the cost of assets to their residual values over their estimated useful lives, using the straight-line method. The gain or loss arising on the disposal or retirement of an item is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit and loss.

Generation property, plant and equipment

Generation property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is charged so as to write off the cost of assets over their estimated useful lives, using the straight-line method. The gain or loss arising on the disposal or retirement of an item of generation plant is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit and loss.

Expenditure on generation and other development activities is capitalised if the process is technically and commercially feasible, future economic benefits are probable and the Company intends to, and has sufficient resources to, complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of directly attributable overheads and capitalised interest. Other development costs that do not meet this criteria are expensed as incurred.

Estimated useful lives

The following estimated useful lives are used in the calculation of depreciation. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period.

Distribution System	5 - 60 yrs	straight-line
Buildings	40 - 100 yrs	straight-line
Meters & Relays	4 - 15 yrs	straight-line
Plant & Vehicles	1 - 10 yrs	straight-line
Generation	10 - 50 yrs	straight-line

m) Financial assets and liabilities, derivatives and hedge accounting

Financial assets

The group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are recorded initially at fair value and subsequently at amortised cost less impairment. Loans and receivables consist of trade and other receivables, loans receivable and cash and cash equivalents.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Bank overdrafts are shown within borrowings in current liabilities in the consolidated balance sheet.

Impairment of financial assets

Financial assets, other than those at "fair value through profit and loss" (FVTPL), are assessed for indicators of impairment at each balance sheet date. Financial 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 financial asset, the estimated future cash flows of the investment have been impacted.

For unlisted shares classified as "available for sale" (AFS), a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

Notes to the financial statements
for the year ended 31 March 2015

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity instruments, impairment losses previously recognised through profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised directly in other comprehensive income.

Financial liabilities and equity
Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Hedge accounting
Cash flow hedges
Derivatives are initially measured at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The group designates certain derivatives as a "cash flow hedge" where it hedges a particular risk associated with a recognised asset or liability

The group documents at the inception of the transaction the relationship between the hedging instruments and hedged items, as well as its risk management objectives and strategy for understanding various hedging transactions. The group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in note 33. Movements in the hedging reserve in other comprehensive income are shown in note 27. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

Notes to the financial statements for the year ended 31 March 2015

If a hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the income statement within "Finance Costs." However, when the forecast transaction that is hedged results in the recognition of a non-financial asset, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in depreciation of fixed assets.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria or hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the profit and loss.

Non-derivative financial instruments
Non-derivative financial instruments comprise of equity and debt securities, loans to subsidiaries, loans and borrowings, and trade and other payables. Non derivative financial instruments are recognised when the Group becomes a party to the contractual provisions of the instrument. Non-derivative financial instruments are recognised initially at fair value less any attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

Bank loans, subordinated debentures and borrowings
Interest-bearing loans, debentures and borrowings are initially measured at fair value, less transaction costs and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group’s accounting policy for borrowing costs described in para q below.

Trade payables
Trade payables and other accounts payable are recognised when the Group becomes obligated to make future payments resulting from the purchase of goods and services and are subsequently measured at amortised cost using the effective interest method.

n) Provisions
Provisions are recognised when the Group has a present obligation as a result of a past event, the future sacrifice of economic benefits is probable and the amount of the provision can be measured reliably.

Provisions are measured at the Directors’ best estimate of the consideration required to settle the obligation at balance date, and are discounted to present value where the effect is material.

Notes to the financial statements
for the year ended 31 March 2015

o) Leasing

Operating leases

Operating leases payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

p) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services, including lines charges provided in the normal course of business.

Network revenue, including lines charges, and charges for meters & relay services are recognised on a monthly basis as the services are provided to customers.

Revenue from construction contracts is recognised in accordance with the Group's accounting policy described previously on construction contracts.

Interest income is recognised as it accrues, using the effective interest method.

Gifted assets to the network, such as electricity reticulation of subdivisions, are recognised as revenue; refer to the plant, property and equipment policy above.

Generation income is recognised when electricity generated is sold on the wholesale market.

q) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

r) Cash flow statement

Cash flows for the report periods are categorised into operating, investing and financing activities. Operating activities are disclosed using the direct method, whereby major classes of cash receipts from customers and cash payments to suppliers and employees are disclosed for operating activities. Cash receipts and payments are shown inclusive of GST. Investing activities include the purchase and disposal of assets, shown exclusive of GST. Financing activities include loans drawn and/or repaid and finance raised from shareholders equity holders or dividends paid to shareholders.

Cash flows from operating activities are reconciled to net profit before tax, by accounting for non-cash transactions and changes in operating net assets and liabilities.

Notes to the financial statements
for the year ended 31 March 2015

s) Share capital

Ordinary shares are classified as equity. Mandatorily redeemable preference shares are classified as liabilities.

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

Where any group company purchases the company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the company's equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the company's equity holders.

t) Adoption of new and revised Accounting Standards

Standards and Interpretations effective in the current period

There are no new standards, amendments and interpretations which are effective for the current period with a material impact to the Group.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

- **NZ IFRS 9 'Financial Instruments' (Effective date: periods beginning on or after 1 January 2018)**

This standard 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 test. 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 presented 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.

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

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

There are no other NZ IFRSs or NZ IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

Notes to the financial statements
for the year ended 31 March 2015

3. Critical accounting judgements and key sources of estimation uncertainty

In the process of applying the entity's accounting policies, which are described in note 2, management has made the following judgements and estimates that have the most significant effect on the amounts recognised in the financial statements.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Revenue recognition
Part of the network charges are based on normalisation, where demand is assessed based on historical actual meter readings. Occasionally the meter reading history data is not consistent and subsequent adjustments are made to customers' accounts, where further charges are applied or refunds given. These adjustment amounts are not significant compared with total network revenue.

Valuation of land and buildings
In accordance with its accounting policy, the Group periodically revalues land and buildings. The valuations, which are performed by independent valuers, involve estimates as detailed in note 18.

Valuation of network distribution system
The Group estimates the fair value of the distribution network using independent valuers in accordance with the property, plant and equipment accounting policy. Because of the specialised nature of the network and the infrequency of network sale transactions, there is a lack of market-based evidence available to determine fair value. The valuation has therefore been determined using the discounted cash flow method. The major inputs that are used in the valuation model that require judgment are detailed in note 18. The carrying value approximates the fair value.

Financial instruments
Note 33 contains information about the assumptions and the risk factors relating to financial instruments and their valuation, including interest rate swaps, which are valued with reference to the Group's accounting policies. Accounting judgments have been made in determining the hedge designation for the different types of derivatives employed by the Group to hedge risk exposures and the valuation estimates of these derivatives.

Goodwill
Goodwill relates to the purchase of John Deere Electrical Limited (refer Note 19), where John Deere Electrical Limited company as a whole is the cash generating unit for the goodwill impairment assessment.

During the year an impairment assessment was carried out of the value of JDE goodwill. The basis of the impairment assessment is the value-in-use discounted cash flow analysis of the future earnings of the asset based on a 5 year model. Key assumptions are based on past experience, at balance date include: revenue and operating expenditure growth 0%; discount rate 10.1% (14.0% pre-tax); terminal discount rate 15.0% (20.8% pre-tax). There are no reasonably expected changes in key assumptions that would result in further impairment to goodwill.

Notes to the financial statements
for the year ended 31 March 2015

Provision for impairment in trade receivables
Significant judgment is required in determining the provision for receivables impairment. When evaluating whether an impairment is likely, factors including the age of the debtor balance, whether the debtor is subject to dispute, the ability to locate the debtor, and the debtors perceived ability to pay are all considered. The provision for receivables impairment is shown in Note 14.

Generation property, plant and equipment
The Group's generation property, plant and equipment is recorded at cost. Annually, the Group assesses the carrying value of the generation assets for impairment.

The basis of the impairment assessment is the value-in-use discounted cash flow analysis of the future earnings of the assets. The major inputs that are used in the value-in-use model that required judgment include the forward price path of electricity, sales volume forecasts, projected operational and capital expenditure profiles, discount rates and life assumptions for each generation station. The directors consider that no reasonably possible change in any of the assumptions below would cause the carrying value of generation assets to exceed their recoverable amounts.

Group

Assumptions - Group	Low	High	Total Base value in use $24.6m Negative value impact ($'000)	Positive value impact ($'000)
Price path - Energy links A Average less $2/MWh	Energy links - 25th percentile less $2/MWh	Energy links - 75th percentile less $2/MWh	$3,270	$3,330
Generation volume (21,602 MWh)	-10.0%	10.0%	$2,810	$2,810
Operational costs ($554,000 pa)	20.0%	-20.0%	$2,170	$2,170
Discount rate - 7.13%	7.63%	6.63%	$2,269	$2,758

Notes to the financial statements
for the year ended 31 March 2015

4. Revenue

An analysis of revenue is as follows:

	Note	2015 $'000	2014 $'000
Continuing operations			
Network		38,008	36,476
Meters and relays		3,669	3,564
Contracting		5,291	7,096
Generation		2,097	1,389
Corporate services		21	30
Revenue		49,086	48,555
Investment income	7	53	36
		49,139	48,591

5. Expenses

All expenses required to be disclosed under NZ IFRS are disclosed in the Statement of Comprehensive Income.

6. Profit from operations

	2015 $'000	2014 $'000
Earnings before interest, tax, depreciation and amortisation (EBITDA)		
Network	23,759	22,300
Meters and relays	3,068	3,176
Contracting	1,355	2,263
Less profit adjustment on internal capital works	(104)	(94)
Generation	1,107	(245)
Corporate services	(4,549)	(3,966)
	24,636	23,434
Depreciation and amortisation	11,170	10,788
Earnings before interest and tax (EBIT)	13,466	12,646

Notes to the financial statements
for the year ended 31 March 2015

7. Investment income

	2015 $'000	2014 $'000
Interest on bank deposits	53	36
	53	36

8. Finance costs

	2015 $'000	2014 $'000
Interest on bank borrowings	2,916	3,034
Interest on convertible notes issued by subsidiary	85	71
Interest on subordinated debentures	172	174
Other interest expense, principally IRD Use of Money	(19)	3
	3,154	3,282
Interest capitalised	(178)	(168)
	2,976	3,114

The weighted average interest rate on bank borrowings, including interest rate swap derivatives, is 5.83% (2014: 7.58%)

Refer note 23 for information on interest rates charged in respect of convertible notes issued by subsidiary and subordinated debentures.

Notes to the financial statements
for the year ended 31 March 2015

9. Income tax expense

Company tax is calculated at 28% of the estimated assessable profit for the year.

	2015 $'000	2014 $'000
Profit before tax	10,543	9,568
Expenses that are non deductible	183	50
Impairment of Goodwill	780	-
Taxable profit	11,506	9,618
Income tax expense at 28%	3,222	2,694
Effect of prior period tax adjustment	(21)	(441)
Income tax expense	3,201	2,253
Effective tax rate (being total tax expense divided by Profit before tax)	30%	24%
Current tax expense	1,961	2,362
Deferred tax expense	1,240	(109)
Income tax expense	3,201	2,253
Attributable to:		
Continuing activities	3,201	2,253

Amounts recognised directly in other comprehensive income

Aggregate current and deferred tax arising in the reporting period and not recognised in net profit and loss component of the statements of comprehensive income but directly debited and credited to other comprehensive income.

	2015	2014
Deferred tax - debited (credited) directly to other comprehensive income	1,745	408
Total tax expense for the year recognised in other comprehensive income	1,745	408

Imputation credit memorandum account

Imputation credits available for subsequent reporting periods based on a tax rate of 28%.

	2015	2014
Imputation credits balance	4,311	4,123

Notes to the financial statements for the year ended 31 March 2015

10. Deferred tax liability

	Property, plant & equipment $'000	Cash flow hedges $'000	Provisions $'000	Total $'000
At 31 March 2013	44,276	(483)	(602)	-
Charged to income	(192)	-	83	(109)
Charged to other comprehensive income	-	408		408
At 31 March 2014	44,084	(75)	(519)	43,490
Charged to income	1,185	-	55	1,240
Charged to other comprehensive income	2,289	(544)		1,745
Prior year transfer current to deferred tax	352			352
At 31 March 2015	47,910	(619)	(464)	46,827

	2015 $'000	**2014** $'000
Non-current - deferred tax asset	(1,083)	(594)
Non current - deferred tax liability	47,910	44,084
Net deferred tax liability	46,827	43,490

Notes to the financial statements
for the year ended 31 March 2015

11. Current tax liability/(asset)

	2015 $'000	2014 $'000
Opening balance	390	483
Tax payments and tax credits received	(2,130)	(2,512)
Prior year adjustments	(21)	57
Prior year transfer from current to deferred tax	(352)	-
Current tax expense for the year	1,961	2,362
	(152)	390

12. Dividends

Amounts recognised as distributions to shareholders in the period:

	2015 $'000	2014 $'000
Dividends paid	5,000	4,950

Dividends of $5.0m (2014: $4.950m), being $0.42 per share (2014: $0.38), were paid to shareholders during the year.

13. Cash and cash equivalents

	2015 $'000	2014 $'000
Cash and cash equivalents	837	3,521

Bank balances and cash comprise: cash held by the Group and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets equates to their fair value.

14. Trade and other receivables

	2015 $'000	2014 $'000
Trade receivables	3,181	3,514
Less provision for doubtful debts	(560)	(740)
Sundry debtors	203	18
Prepayments	545	275
	3,369	3,067

No interest is charged on trade receivables for most customers. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. The group does not hold any collateral as security.

The Directors consider that the carrying amount of trade and other receivables approximates their fair value because all amounts are due within one month and there are no amounts where settlement thereof is greater than one year.

Notes to the financial statements
for the year ended 31 March 2015

Ageing of trade receivables

	2015 $'000	2014 $'000
Current to 90 days	2,697	2,635
Greater than 90 days	484	879
	3,181	3,514

Provision for doubtful debts

	2015 $'000	2014 $'000
Opening Balance	740	908
Movement in provision	(16)	358
Receivables written off during the year as uncollectable	(164)	(526)
	560	740

15. Construction contracts

Contracts in progress at balance date:

	2015 $'000	2014 $'000
Construction costs incurred plus recognised profits less recognised losses to date	-	351
Less: Progress billings	-	(253)
	-	98

No retentions were held by customers for construction work in progress at year-end. (2014: $ Nil)
All amounts included in trade and other receivables and arising from construction contracts are due for settlement within the following 12 months.

16. Inventories

	2015 $'000	2014 $'000
Contracting stores	847	957
Network stores	29	24
Transformers	298	276
Private lines	215	-
Meters and relays	161	161
	1,550	1,418

Notes to the financial statements
for the year ended 31 March 2015

17. Other financial assets

	2015 $'000	2014 $'000
Investments carried at amortised cost		
Loan to related entity (WESCTCO Limited)	-	13,500
Other investments	96	94
	96	13,594

The Company advanced $13.5 million to WESCTCO Limited in 2014, a wholly owned subsidiary of the Company's controlling shareholder Waitomo Energy Services Customer Trust. The funds advanced were used by WESCTCO Limited to acquire the shares in the Company previously held by the King Country Energy Power Trust. The loan was secured by a Specific Security Deed over the shares held in the Company.

On 28th August 2014 WESCTCO Ltd and The Lines Company Ltd were amalgamated. Both entities were 100% owned by Waitomo Energy Services Customer Trust. As part of the amalgamation the loan was eliminated (refer note 32).

Notes to the financial statements for the year ended 31 March 2015

18. Property, plant and equipment

	Land (At Valuation) $'000	Buildings (At Valuation) $'000	Network Distribution System (At Valuation) $'000	Meters & Relays (At Cost) $'000	Plant & Vehicles (At Cost) $'000	Generation (At Cost) $'000	Total $'000
Gross carrying amount							
At 31 March 2013	1,271	2,019	198,057	14,581	7,551	21,773	245,252
Additions	-	43	6,343	1,865	1,440	540	10,231
Disposals	-	-	-	-	(661)	(713)	(1,374)
Capital works in progress-		-	1,647	1,423	-	56	3,126
At 31 March 2014	1,271	2,062	206,047	17,869	8,330	21,656	257,235
Additions	194	13	9,764	3,089	670	9	13,739
Disposals	-	-	-	-	(403)	-	(403)
Reclassification	-	75	-	-	-	(225)	(150)
Revaluation	(103)	(379)	-	-	-	-	(482)
Capital works in progress	-	-	(859)	(106)	-	195	(770)
At 31 March 2015	1,362	1,771	214,952	20,852	8,597	21,635	269,169
Accumulated depreciation and impairment							
At 31 March 2013	-	59	6,716	8,462	4,918	1,484	21,639
Depreciation charge	-	73	6,889	1,979	934	616	10,491
Revaluation		-	-	73	-	-	73
Disposals	-	-	-	-	(491)	-	(491)
At 31 March 2014	-	132	13,605	10,514	5,361	2,100	31,712
Depreciation charge	-	77	7,168	2,017	972	620	10,854
Revaluation		(198)	(8,460)	-	-	-	(8,658)
Disposals	-	-	-	-	(381)	-	(381)
At 31 March 2015	-	11	12,313	12,531	5,952	2,720	33,527
Carrying amount (Net book value)							
At 31 March 2013	1,271	1,960	191,341	6,119	2,633	20,289	223,613
At 31 March 2014	1,271	1,930	192,442	7,355	2,969	19,556	225,523
At 31 March 2015	1,362	1,760	202,639	8,321	2,645	18,915	235,642

In March 2014, the fixed assets and inventory held by Scope Infrastructure Limited were sold and the business ceased trading. The value of assets sold and proceeds received was $0.2m.

Notes to the financial statements
for the year ended 31 March 2015

The carrying amounts of property, plant and equipment had they been recognised under the cost model are as follows:

	Land (At Valuation) $'000	Buildings (At Valuation) $'000	Network Distribution System (At Valuation) $'000	Meters & Relays (At Cost) $'000	Plant & Vehicles (At Cost) $'000	Generation (At Cost) $'000	Total $'000
At 31 March 2014	532	2,033	103,375	7,165	2,969	19,556	135,630
At 31 March 2015	719	2,121	111,492	8,321	2,645	18,915	144,213

Land and buildings
The land and buildings of the Group, comprising the vacant land and depots at Waitete Road Te Kuiti, Te Peka Street, Taumarunui, Old Station Road Ohakune, the residential dwellings at Te Peka Street, Taumarunui and head office at King Street East Te Kuiti were revalued to $2.542m at 31 March 2015.

These valuations were prepared by Doyle Valuations Ltd (A.N.Z.I.V, S.N.Z.P.I.), an independent valuer with local experience. These valuations were carried out in accordance with API and PINZ Professional Practice and International Valuation Standards. Cost summation, market rate and income approaches were used for the valuation.

The fair valuation measurements above are considered to be Level 3 as they are derived from valuation techniques that include inputs for the asset that are not based on observable market data (unobservable inputs).

Network distribution system
Network distribution system assets, excluding meters and relays, were revalued to $201.747 million at 31 March 2015.As the fair value of the assets was not able to be reliably determined using market based evidence, the valuation was prepared using discounted cash flow methodology. The valuation was independently prepared by Deloitte and the key assumptions used are shown in the table below. In all cases an element of judgment is required. The valuation is based on revenue and cost assumptions applied against a combination of discount rates and CPI inflation rates.

Assumptions	Valuation assumptions adopted	Low	High	Valuation impact
Demand/load growth	0.4%	-0.4%	0.4%	-$3,155,861 + $3,219,601
Discount rate	6.5%	-0.5%	0.5%	+ $7,158,000 - $7,158,000
CPI inflation	2.0%	-0.5%	0.5%	- $6,779,060 + $7,003,372

The valuer has assumed the terminal value equal to forecast Regulatory Asset Base (RAB) based on information disclosures, as it is believed that the terminal value would approximate the RAB value in a steady state regulatory environment. Previous valuations have used the Gordon growth method for calculating the terminal value.

The fair valuation measurements above are considered to be Level 3 as they are derived from valuation techniques that include inputs for the asset that are not based on observable market data (unobservable inputs).

Notes to the financial statements for the year ended 31 March 2015

19. Goodwill

	2015 $'000	2014 $'000
Gross carrying amount	1,640	1,640
Impairment of goodwill	(780)	-
Net carrying value	860	1,640

Annual test for impairment

Following changes in the market conditions the Group assessed the recoverable amount of goodwill, and determined that an impairment of $780,000 be recognised. Goodwill is attributable to the investment in John Deere Electrical Limited (refer note 3).

Notes to the financial statements for the year ended 31 March 2015

20. Intangible assets

	Software $'000	Land Easements $'000	Resource Consents & Rights $'000	Total $'000
Cost				
Total cost at 31 March 2013	2,549	154	707	3,410
Additions	312	-	-	312
Disposals	-	-	(150)	(150)
Total cost at 31 March 2014	2,861	154	557	3,572
Additions	375	-	-	375
Reclassification	-	150	-	150
Total cost at 31 March 2015	3,236	304	557	4,097
Accumulated amortisation and impairment				
Total at 31 March 2013	1,870	-	100	1,970
Amortisation charge for the year	247	-	50	297
Disposal	-	-	(150)	(150)
Total at 31 March 2014	2,117	-	-	2,117
Amortisation charge for the year	316	-	-	316
Disposal	-	-	-	-
Total at 31 March 2015	2,433	-	-	2,433
Carrying amount (Net book value)				
At 31 March 2013	679	154	607	1,440
At 31 March 2014	744	154	557	1,455
At 31 March 2015	803	304	557	1,664

Notes to the financial statements
for the year ended 31 March 2015

21. Investments in subsidiaries

Name	Principal Activity	Ownership Interest 2015 %	Ownership Interest 2014 %
Financial Corporation Limited	Meter and relay assets	100	100
Clearwater Hydro Limited	Developer and promoter of small hydro-electricity schemes throughout the North Island	100	100
John Deere Electrical Limited	Electricity contracting business operating in Te Kuiti	100	100
Speedys Road Hydro Limited	Hydro generation scheme	75	75
Matawai Hydro Limited	Hydro generation scheme	100	100

The subsidiaries have been fully consolidated with intercompany transactions eliminated. All subsidiaries have a reporting date of 31 March and are incorporated and operate in New Zealand.

In March 2014, Scope Infrastructure Limited (Scope) ceased trading following the sale of its fixed assets and inventory. On 15 March 2015 Scope was amalgamated with The Lines Company Ltd. In 2014 Scope was disclosed as a wholly owned subsidiary.

22. Trade and other payables

	2015 $'000	2014 $'000
Trade creditors	2,816	3,276
Audit fee accruals	104	149
Interest accruals	330	424
Other accruals	2,374	1,774
	5,624	5,624

Trade and other payables principally comprise amounts outstanding for trade purchases and on-going costs.

The Directors consider that the carrying amount of trade and other payables approximates to their fair value because the amounts due will be settled within one year's time for their carrying value.

Notes to the financial statements
for the year ended 31 March 2015

23. Bank Borrowings, convertible notes and subordinated debentures

	2015 $'000	2014 $'000
Bank borrowings	47,950	51,950
Convertible notes issued by subsidiary	1,250	1,250
Subordinated debentures:		
Waitomo Energy Services Customer Trust	1,000	1,000
North King Country Development Trust	2,000	2,000
	52,200	56,200
Disclosed in the financial statements as:		
Current borrowings	250	-
Non-current borrowings	51,950	56,200
	52,200	56,200

Bank Borrowings

The Group has total bank lending facilities with Westpac of $75 million. The term lending facilities are for three years, expiring 31 May 2017.The working capital facilities are subject to annual renewal and expire on 31 December 2015.Bank loans are at floating rates and expose the Group to cash flow interest rate risk. The Group complies with its banking covenant and no default or event of review has occurred.

The Directors estimate the fair value of the Group's bank loans are reflected in their book value, because they are floating rate loans.

Security held by the bank for these loans is a Composite General Security Agreement over certain assets of the Group.

Convertible Notes issued by Subsidiary

Speedys Road Hydro Limited (SRHL) has issued $3.75m of convertible notes to TLC and $1.25m of convertible notes to the minority shareholder. The proceeds were used to repay debt owed to TLC. The convertible notes are interest bearing (6.6%).The convertible notes issued to TLC are eliminated on consolidation in the group financial statements.

The holder may either elect to convert the notes to shares, redeem the notes for cash or extend the maturity date of the notes. The election notice is subject to agreement by the SRHL board of directors and who are entitled to act in what they reasonably consider to be in the best interests of SRHL. At 31 March 2015, there were five separate tranches of convertible notes of $1,000,000 each with maturity dates of 30 September 2014, 30 September 2015, 30 September 2016, 30 September 2017, 30 September 2018.SRHL reserves the right to defer interest payments in perpetuity while it does not have sufficient cash to make the payment.

The fair value of the convertible notes are not considered to be materially different from its principal value as the terms of the notes are such that comparable market instruments would not differ materially in value.

Subordinated debentures

The subordinated debentures are stated at their fair values. The Waitomo Energy Services Customer Trust (WESCT) loan has a principal value of $1,000,000 and had fixed interest of 7.42% per annum (2014: 7.42%).The North King Country Development Trust (NKCDT) loan has a principal value of $2,000,000 and had fixed interest of 5.00% per annum (2014: 5.00%).The subordinated debentures are unsecured and have no specified maturity date. Repayment of the subordinated debentures is not permitted until full repayment of all other borrowings of the Company.

Notes to the financial statements
for the year ended 31 March 2015

The interest rate payable on the WESCT debenture is reset yearly, by negotiation, having regard to interest paid by other entities who have issued similar debt securities. The fair value of the WESCT debenture is not considered to be materially different from its principal value as the applicable interest rate approximates that of similar debt securities.

The fair value of the NKCDT debenture is not considered to be materially different from its principal value as the terms of the debenture are such that comparable instruments would not differ materially in value.

There are no specified repayment terms in relation to subordinated debentures.

24. Other financial liabilities

	Note	2015 $'000	2014 $'000
Derivatives designated and effective as hedging instruments carried at fair value			
Interest rate swaps	33	2,210	266
		2,210	266

25. Provision for staff entitlements

	2015 $'000	2014 $'000
Opening balance	1,781	1,721
Accrued	1,012	1,673
Utilised	(1,379)	(1,613)
	1,414	1,781

	2015 $'000	2014 $'000
Classified as:		
Current	1,414	1,773
Non-current	-	8
	1,414	1,781

The provision for employee entitlements includes accrued wages, bonuses, accrued holiday pay, long service leave, sick leave, trainee bonds and gratuities. Where settlement is greater than one year, the item is discounted using the Group's weighted average cost of capital. The Directors consider that the carrying amount of the provision for staff entitlements approximates to their fair value as most of the entitlement is due to be settled within one year.

Notes to the financial statements for the year ended 31 March 2015

26. Share capital

	2015 $'000	2014 $'000
Issued and fully paid capital		
Represented by 11,846,808 ordinary shares	8,013	8,013
Number of Shares Held By:		
Waitomo Energy Services Customer Trust	11,846,808	11,846,808
WESCTCO Limited	-	1,316,312
	11,846,808	13,163,120

The Company has one class of ordinary shares, which have no par value. During 2014, 1,316,312 shares held by King Country Electric Power Trust were purchased by WESCTCO Limited for $13,500,000, a related entity of the Company.

During the year WESCTCO and The Lines Company Ltd were amalgamated.
Contemporaneously with the amalgamation the 1,316,312 shares, held by WESCTCO, were cancelled.

	Number of shares, 000		Ordinary shares, $000	
	2015	2014	2015	2014
Opening balance for ordinary shares issued	13,163,120	13,163,120	8,013	8013
Ordinary shares cancelled	(1,316,312)	-	-	-
Closing balance for ordinary shares issued	11,846,808	13,163,120	8,013	8,013

27. Cashflow hedge reserves

The cashflow hedge reserve represents hedging gains and (losses) recognised on the effective portion of cash flow hedges.

	2015 $'000	2014 $'000
Opening balance	(192)	(1,242)
Gain/(loss) recognised on cash flow hedges:		
Interest rate swaps	(1,943)	1,458
Income tax related to gain/(loss) recognised in equity	544	(408)
	(1,591)	(192)

Notes to the financial statements
for the year ended 31 March 2015

28. Revaluation reserves

	Network Distribution System $'000	Land & Buildings $'000	Total $'000
Total at 31 March 2013	74,613	617	75,230
Deferred tax adjustment on prior period buildings revaluations	-	-	-
Total at 31 March 2014	74,613	617	75,230
Revaluation increases / (decreases)	8,460	(284)	8,176
Deferred tax on revaluation	(2,369)	80	(2,289)
Total at 31 March 2015	80,704	413	81,117

29. Contingent assets and liabilities

The group has no contingent assets or liabilities requiring disclosure.

Capital expenditure contracted for at year end but not yet incurred is as follows:

	2015 $'000	**2014** $'000
Metering equipment	-	761

Notes to the financial statements
for the year ended 31 March 2015

30. Operating lease arrangements
The Group is party to a number of operating leases for access to land for some communication sites and substations. The lease amounts paid are immaterial to the Group's overall operating costs. The Group does not have an option to purchase the leased assets at the expiry of the lease period.

31. Events after balance date
There were no events after the March 2015 balance date which require disclosure.

32. Related party transactions

Trading transactions
The Group entities traded with no related parties that are not members of the Group.

Remuneration of key management personnel

	2015 $'000	**2014** $'000
Short-term employee benefits	1,015	1,271
Post-employment benefits	-	29
Directors' Fees & Expenses	209	200
	1,224	1,500

The remuneration of individual directors and key management personnel is determined by the Board and the Remuneration Committee having regard to the performance of the individuals and market trends. The total remuneration of directors is determined by the shareholders.

Notes to the financial statements
for the year ended 31 March 2015

Waitomo Energy Services Customer Trust

Interest and dividend payments are made to the Group's controlling entity, Waitomo Energy Services Customer Trust.

	2015 $'000	2014 $'000
Interest paid on subordinated debentures	72	74
Dividends paid	5,000	4,455

King Country Electric Power Trust

The following transactions occurred during the year.

	2015 $'000	2014 $'000
Dividends paid	-	495

In January 2014, King Country Electric Power Trust sold its shares in the Company (refer Note 27) and is no longer a related party

WESCTCO Limited

The following transactions occurred during the year.

	2015 $'000	2014 $'000
Loan to acquire shares in The Lines Company Ltd	-	13,500

In January 2014, WESCTCO Limited acquired shares in the Company (refer Note 27).

On 28th August 2014 WESCTCO Ltd and The Lines Company Ltd were amalgamated. Both entities were 100% owned by Waitomo Energy Services Customer Trust. As a result of the amalgamation this loan was eliminated resulting in an amalgamation adjustment against retained earnings to the value of loan.

Under a business combination where entities under common control are amalgamated the carrying values of the assets and liabilities of the entities are combined, with any gain or loss on amalgamation recognised in equity.

Notes to the financial statements
for the year ended 31 March 2015

33. Financial instruments

Interest rate swaps

	Note	2015 $'000	2014 $'000
Mark to market fair value of interest rate swaps balance date (liability) were :	24	(2,210)	(266)

The following interest swap contracts were in place at balance date:

	Notional Amount	Reset	Fixed Rate	Expiry Date
Receive floating - Pay fixed interest swap	$4,000,000	Quarterly	4.74%	29-Jan-18
Receive floating - Pay fixed interest swap	$2,500,000	Quarterly	4.41%	8-Aug-17
Receive floating - Pay fixed interest swap	$2,500,000	Quarterly	4.59%	8-Aug-18
Receive floating - Pay fixed interest swap	$5,000,000	Quarterly	4.49%	29-Nov-16
Receive floating - Pay fixed interest swap	$5,000,000	Quarterly	4.16%	2-Oct-15
Receive floating - Pay fixed interest swap	$5,000,000	Quarterly	4.89%	2-May-16
Receive floating - Pay fixed interest swap	$5,000,000	Quarterly	4.67%	2-May-15
Receive floating - Pay fixed interest swap	$2,500,000	Quarterly	5.14%	1-Nov-18
Receive floating - Pay fixed interest swap	$5,000,000	Quarterly	4.98%	1-Jan-19
Receive floating - Pay fixed interest swap	$5,000,000	Quarterly	4.96%	1-May-19
Receive floating - Pay fixed interest swap	$5,000,000	Quarterly	5.10%	27-Jun-23
Receive floating - Pay fixed interest swap	$5,000,000	Quarterly	5.02%	27-Jun-21
Receive floating - Pay fixed interest swap	$5,000,000	Quarterly	4.99%	15-Aug-16
Receive floating - Pay fixed interest swap	$5,000,000	Quarterly	5.10%	1-Aug-22

The Group is exposed to interest rate risk as it borrows funds at both fixed and floating interest rates. The risk is managed by maintaining an appropriate mix between fixed and floating rate borrowings and by the use of interest rate swap contracts.

Under interest rate swap contracts the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on debt held. The fair value of interest rate swaps are based on market rates of equivalent instruments at balance date and are disclosed above.

All of the interest rate swaps are designated and are effective as cash flow hedges and changes in their fair value are recognised as other comprehensive income.

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The Group's overall strategy remains unchanged from 2014 and is based on risk management strategies and treasury management policies set and monitored by the Board.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 23, and equity attributable to equity holders of the parent, comprising issued capital, retained earnings and reserves as disclosed in notes 27, 28, 29 and statement of changes in equity respectively.

Notes to the financial statements for the year ended 31 March 2015

During 2015, the group's strategy, which was unchanged from 2014, was to maintain an equity/assets ratio of not less than 40%.
The ratio at March 2015 and 2014 were as follows

	2015	2014
	$'000	$'000
Average equity (including subordinated debentures)	142,230	143,423
Total assets at year end	245,253	249,776
Equity to Assets Ratio	58.0%	57.4%

Financial risk management objectives
The Group manages financial risks relating to its operations by complying with the policies set by the Board. New risks are referred to the Board for consideration as they become known. Risks include market risk (including foreign currency exchange risk, fair value interest rate risk and cash flow and interest rate risk), credit risk, liquidity risk and electricity price risk.

The Group's policy on the use of financial derivatives and non-derivative financial instruments is disclosed in note 2.The Board receives quarterly reports on treasury strategy and compliance with the treasury policy. These reports are from external treasury advisors.

a) Market risk
The Group's activities expose it primarily to the financial risks of changes in interest rates, and to a lesser extent also changes in foreign currency rates. The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign currency exchange risk, including:

- forward foreign exchange contracts to hedge the foreign currency exchange rate risk arising on the purchase of equipment and steel from overseas;
- interest rate swaps, caps and collars to mitigate the risk of rising interest rates.

There has been no change during the year to the manner in which the Group manages and measures market risk.

Foreign currency
It is the policy of the Group to enter into forward foreign exchange contracts to cover specific foreign currency payments.

The Group had no forward foreign exchange contracts as at 31 March 2015. (2014: $ Nil)

Interest rate risk management
The Group is exposed to interest rate risk as the Company borrows funds at floating interest rates to fund the activities of the Group. The risk is managed through the use of interest rate swaps. Hedging activities are evaluated regularly to align with interest rate views and the treasury policy.

Exposure to interest rate risk has decreased as a result of the lower level of debt. The group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Further information on derivative financial instruments, including interest rate swaps is provided in note 24.

Notes to the financial statements
for the year ended 31 March 2015

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A 100 basis point increase or decrease is used to assess interest rate risk and this represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, both the Group's

- Profit for the year ended 31 March 2015 would decrease/increase by $136,000 (2014: decrease/increase by $80,500). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings; and
- Other equity reserves would increase by $1,221,000 if rates were higher and decrease by $1,305,000 if rates were lower (2014: increase by $702,000 if rates were higher and decrease by $735,000 if rates were lower) at balance date.

The Group's sensitivity to interest rates has increased during the current period mainly due to the increase in variable rate debt instruments.

b) Credit risk management

The Group's principal financial assets are cash and cash equivalents, trade and other receivables and related party loans, which represent the Group's maximum exposure to credit risk in relation to financial assets. Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Group.

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the Balance Sheet are net of allowances for doubtful receivables, estimated by the Group's management based on prior experience and their assessment of the current economic environment.

Credit risk in trade receivables is disclosed in note 14.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with AA credit-ratings assigned by international credit-rating agencies.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2(m) to the financial statements.

c) Electricity price risk

The Group is exposed to electricity price risk on its electricity generation activities.

The Group has entered into a fixed term contract to supply electricity at agreed rates. This contract is fixed until 31 December 2017.

Notes to the financial statements
for the year ended 31 March 2015

Categories of financial instruments

2015	Note	Loans and receivables $'000	Financial liabilities at amortised cost $'000	Derivatives designated as cash flow hedges $'000	Total $'000
Cash and bank balances	13	837	-	-	837
Trade and other receivables	14	2,824	-	-	2,824
Total financial assets		3,661	-	-	3,661
Trade and other payables	22	-	5,624	-	5,624
Borrowings	23	-	52,200	-	52,200
Other financial liabilities	24	-	-	2,210	2,210
Total financial liabilities		-	57,824	2,210	60,034
2014					
Cash and bank balances	13	3,521	-	-	3,521
Trade and other receivables	14	3,067	-	-	3,067
Other financial assets	17	13,500	-	-	13,500
Total financial assets		20,088	-	-	20,088
Trade and other payables	22	-	5,624	-	5,624
Borrowings	23	-	56,200	-	56,200
Other financial liabilities	24	-	-	266	266
Total financial liabilities		-	61,824	266	62,090

Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices;
- the fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments;
- the fair value of derivative instruments is calculated using quoted prices. Where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve derived from quoted interest rates for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

Notes to the financial statements
for the year ended 31 March 2015

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

Fair value measurements recognised in the balance sheet

The following table provides an analysis of financial instruments that are measured subsequent to total recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

		Level 1	Level 2	Level 3	Total
		$'000	$'000	$'000	$'000
Group 2015	**Year**				
Derivative financial liabilities	2015	-	(2,210)	-	(2,210)
Group 2014	**Year**				
Derivative financial liabilities	2014	-	(266)	-	(266)

There were no transfers between Level 1, 2 and 3 during the year.

d) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in note 23 is information on undrawn bank loan facilities that the Group has at its disposal to further reduce liquidity risk.

Liquidity and interest risk tables

The following table details the Group's remaining contractual maturities for their non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

Financial liability maturity analysis

	Less than 1 month	1 month to 1 year	1 to 5 years	5+ years	Total
	$'000	$'000	$'000	$'000	$'000
Non-interest bearing	5,709	-	-	-	5,709
Variable interest rate instruments	448	2,409	51,454	-	54,311
Fixed interest rate instruments	15	160	697	3,174	4,046
At 31 March 2015	6,172	2,569	52,151	3,174	64,066
Non-interest bearing	4,193	2,107	(28)	-	6,272
Variable interest rate instruments	214	2,693	63,330	267	66,504
Fixed interest rate instruments	15	160	697	3,174	4,046
At 31 March 2014	4,422	4,960	63,999	3,441	76,822

Variable rate instruments includes the impact of derivatives.

Glossary of terms

EBITDA	Earnings before interest, tax, depreciation and amortisation.
EBIT	Earnings before interest and tax.
Special discount	Total discount paid or committed as per note.
Net assets	Non current assets plus net working capital.
Shareholder funds	Shareholder equity plus subordinated debentures.
Debt to asset ratio	(Total liabilities less deferred tax liabilities) divided by total assets.
Capital ratio	Shareholder equity divided by total assets.
Return on average equity	(Profit after tax) divided by ((opening shareholder equity plus closing shareholder equity) divided by 2).
Return on average net assets	(EBIT multiplied by the applicable tax rate) divided by ((opening net assets plus closing net assets) divided by 2).

Corporate directory

The Lines Company Limited

Company number	578653
Directors	A M Don J M Rae P J Till S V Young A G Ball - resigned 30/09/2014 A P Muldoon - retired 31/07/2014
Registered Office	The Lines Company Limited King Street Te Kuiti New Zealand
Auditor	PricewaterhouseCoopers has been appointed to perform the audit on behalf of the Auditor-General
Solicitors	Russell McVeagh Forgeson Law
Postal Address	PO Box 281 Te Kuiti New Zealand
Telephone	07 878 0600
Fax	07 878 7024
Web Page	www.thelinescompany.co.nz