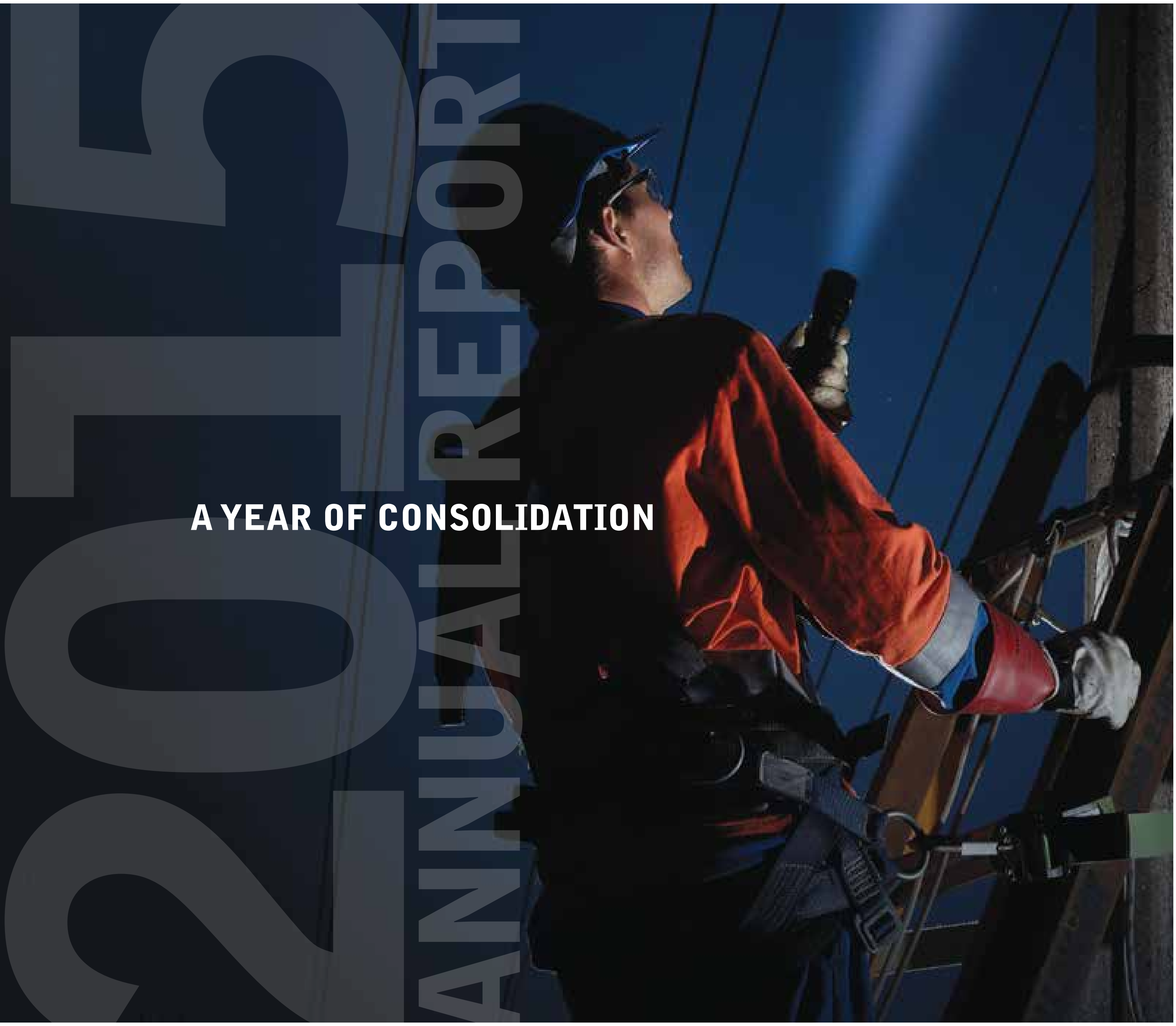
ANNUAL REPORT 2015 | WEL NETWORKS LIMITED & SUBSIDIARIES



A YEAR OF CONSOLIDATION

BEST IN SERVICE. BEST IN SAFETY.

wel.co.nz

This is the annual report of WEL Networks Limited

Dated this 29th day of May 2015
Signed for and on behalf of the Board of Directors

Margaret Devlin
Chairman

Paul McGilvary
Director

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VISION

Providing high quality, reliable utility services valued by our customers whilst protecting and enabling our community.


Networks
BEST IN SERVICE, BEST IN SAFETY

COMPANY PROFILE

WEL Networks Limited (WEL) is the provider of electricity infrastructure for the distribution of energy to over 87,000 homes, businesses and organisations throughout the Waikato region.

We are committed to providing high quality, reliable infrastructure while maintaining a strong focus on community safety and holding prices below the industry average.

Hamilton is the main city in our coverage area which extends to Maramarua in the north and across to the west coast, including the towns of Huntly, Raglan, Te Kauwhata and Ngaruawahia. Our network includes more than 6,400 kilometres of lines and has an annual throughput of 1,185GWh.

WEL is locally owned. We have one shareholder, the WEL Energy Trust. The capital beneficiaries are the region's local councils; Hamilton City Council, Waikato District Council and Waipa District Council.

In 2010 we won the contract to roll ultra fast broadband out via a fibre network to the Waikato, Bay of Plenty and Taranaki regions. Ultrafast Fibre Limited, a partnership between WEL and the Crown, already has over 15,600 end users connected to the network, with this number predicted to grow exponentially. The build is both on budget and on schedule.

We are proud to be leading the way with the implementation of a Smart Network, enabling the transformation from a traditional lines company to a next generation Smart Multi-Utility. The deployment of smart boxes and a smart grid enables us to closely and proactively monitor the voltage levels within our customers' premises and allows us to identify faults instantly and, in the event of failure, get their power back on more quickly. This project will be completed in 2016 and in the future the data gathered from our Smart Network will enable network efficiencies and more intelligent design.

In line with our commitment to modernise the network for our customers, we maintain a close watch on technologies that may impact on future planning, such as electric vehicles and distributed generation. The Company supports initiatives which help achieve the national target of 90% renewable energy generation by 2025.

As a result of our annual discount programme, which was established in 2003, discounts of approximately $257 million (incl. GST) have been disbursed to our local customers over the past 12 years.

We operate under strong commercial principles and are fortunate to have in place a highly-skilled and experienced Board of Directors. Chaired by Margaret Devlin, the Board brings substantial business acumen and applies high standards of corporate governance. ■

QUICK FACTS

As at 31 March 2015

Staff numbers	287
Annual Revenue	$214 million (before discount)
NETWORK CONNECTIONS (INCLUDING EMBEDDED NETWORKS)	
Residential	86,333
Commercial/Industrial	713
Maximum Demand	255 Megawatts
Volume Throughput (WEL traditional area after technical Loss Factors)	1,185 Gigawatt hours
Annual Investment in Capital Projects	$60 million

Kilometres of Lines

CATEGORY	KM	%
Overhead Lines	3,512	54%
Underground	2,987	46%
TOTAL	**6,499**	**100%**

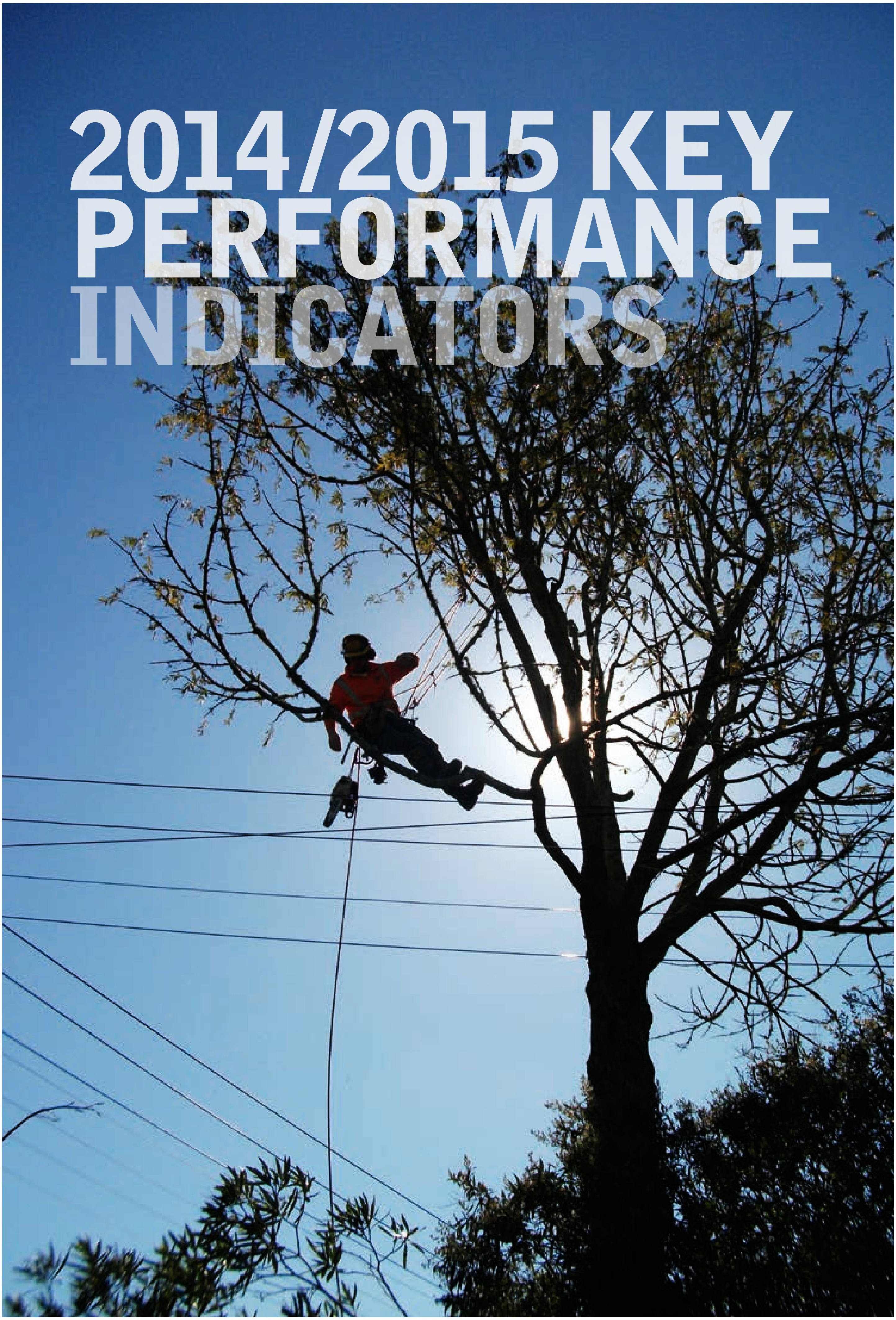
Excludes street lighting, fibre and communications lines

Outages

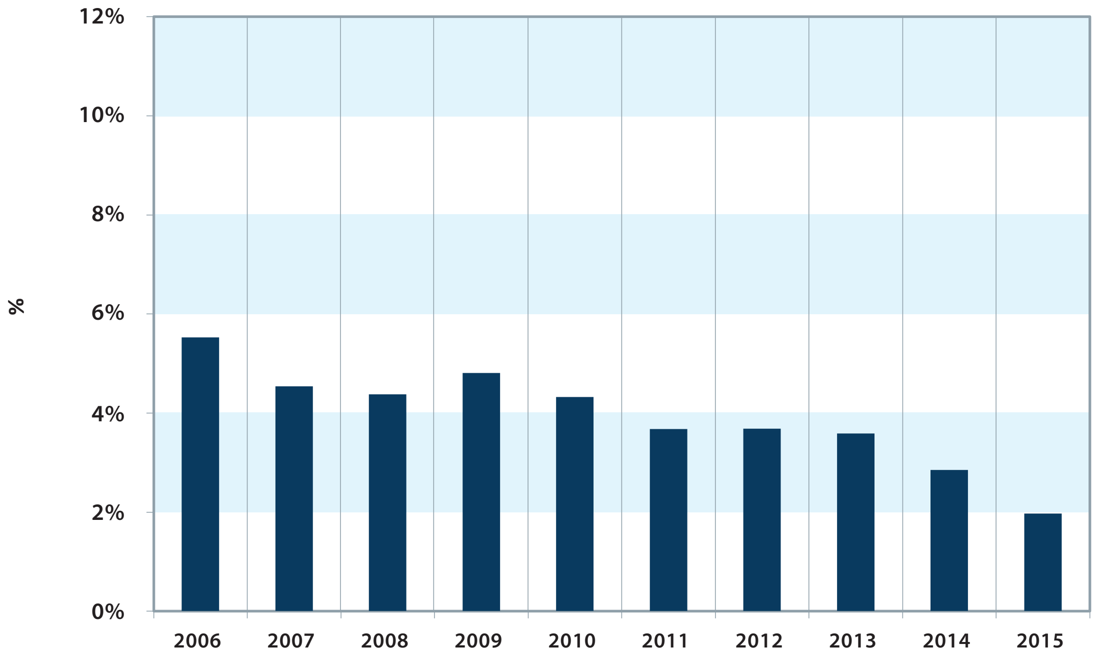
OUTAGE CAUSES	SAIDI MINUTES	% OF SAIDI MINUTES
Equipment faults	20.83	20%
Adverse weather and other foreign interference	35.56	34%
Vehicle accidents	15.26	15%
Planned shutdowns	24.64	22%
Insulators and discs	3.85	4%
Tree contacts	4.92	5%
TOTAL	**105.06**	**100%**

*SAIDI - System Average Interruption Duration Index (the average number of minutes that customers were without electricity).

2014/2015 KEY PERFORMANCE INDICATORS

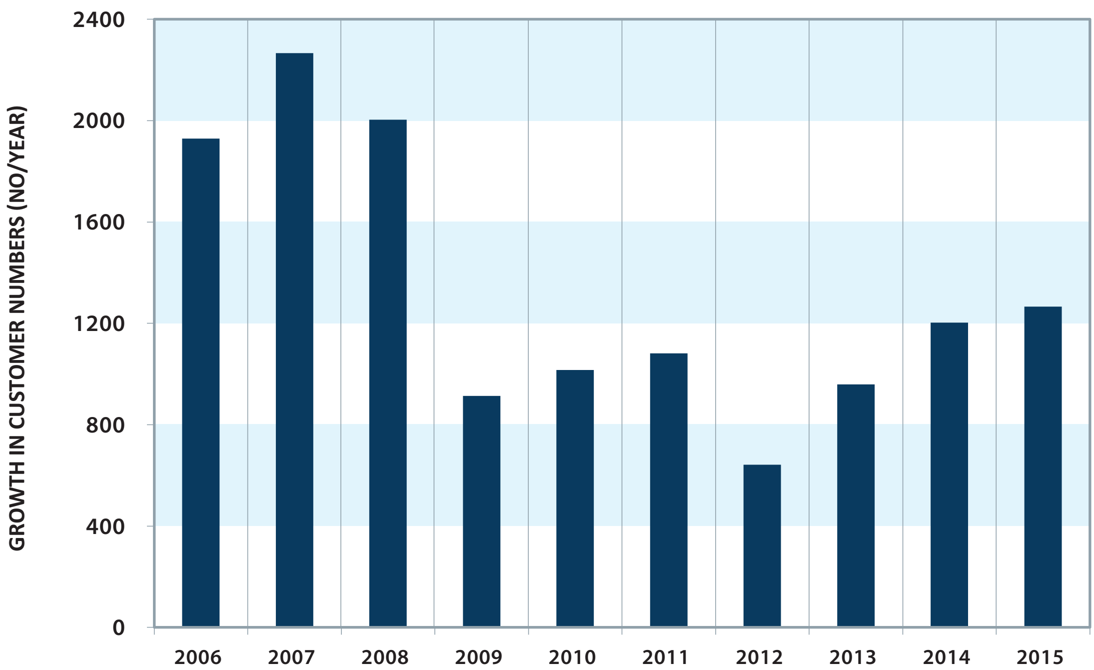


RETURN ON ASSETS



The reduction in Return on Assets is due to increased investment in our fibre assets.

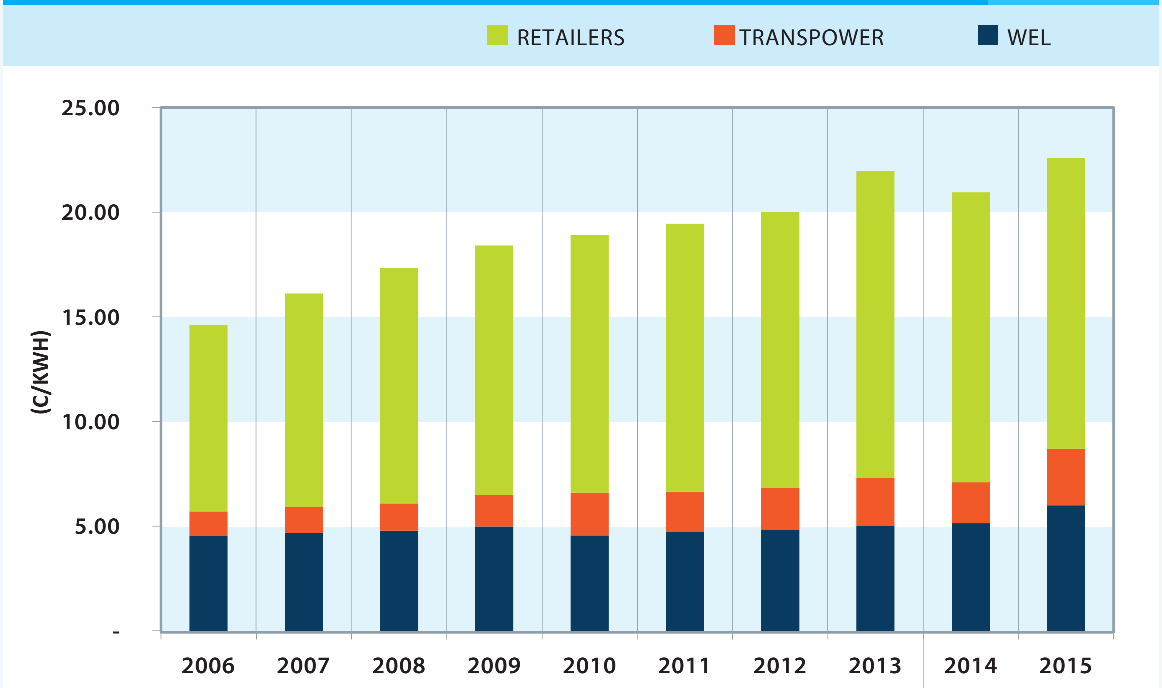
ANNUAL GROWTH IN CUSTOMER NUMBERS



We have maintained our growth in customer numbers and the positive outlook in the building sector is an indicator that this growth will continue.

2014/2015 KEY PERFORMANCE INDICATORS (cont.)

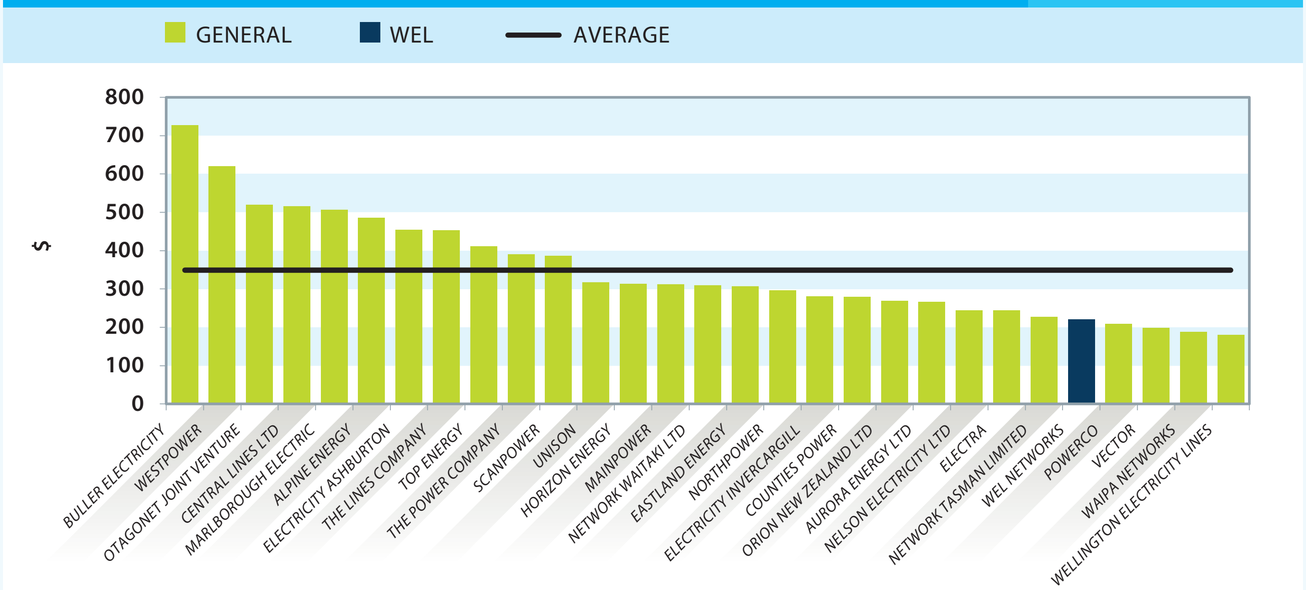
COMPONENTS OF RESIDENTIAL NOMINAL PRICES (8,000KWH PA)



Note: WEL component includes reduction of WEL Discount and Retailer component includes 10% reduction for prompt payment

WEL's portion of the overall charges to customers consistently sits under 30% of the bill.

COST PER CUSTOMER ($/CUSTOMER) YEAR ENDED 31 MARCH 2014

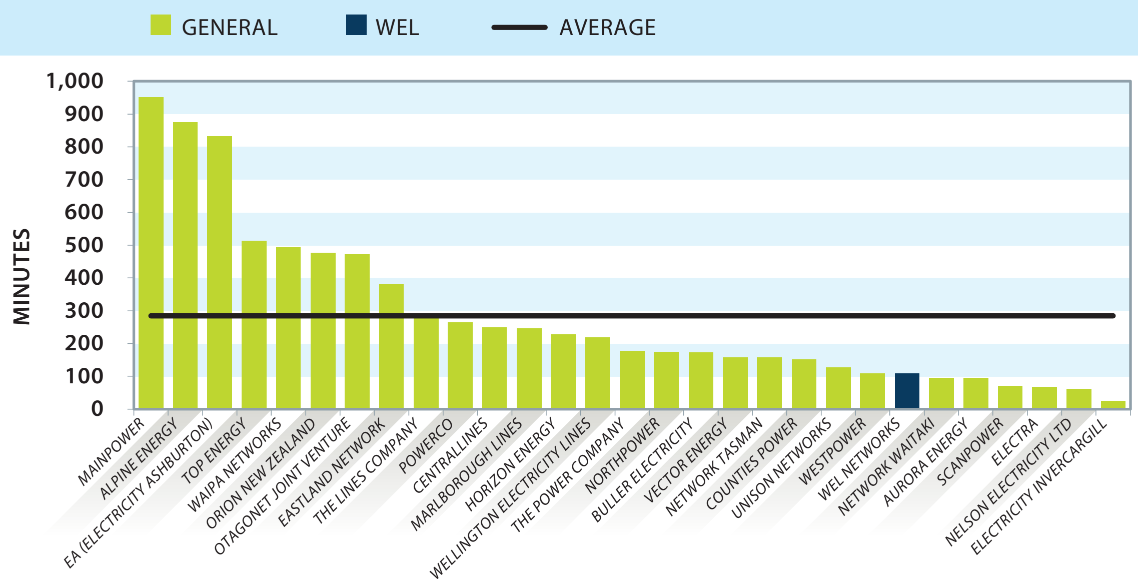


The timing of national benchmarking means that this graph relates to 2014. We continue to perform well in terms of cost per customer compared with other line companies.

2014/2015 KEY PERFORMANCE INDICATORS (cont.)

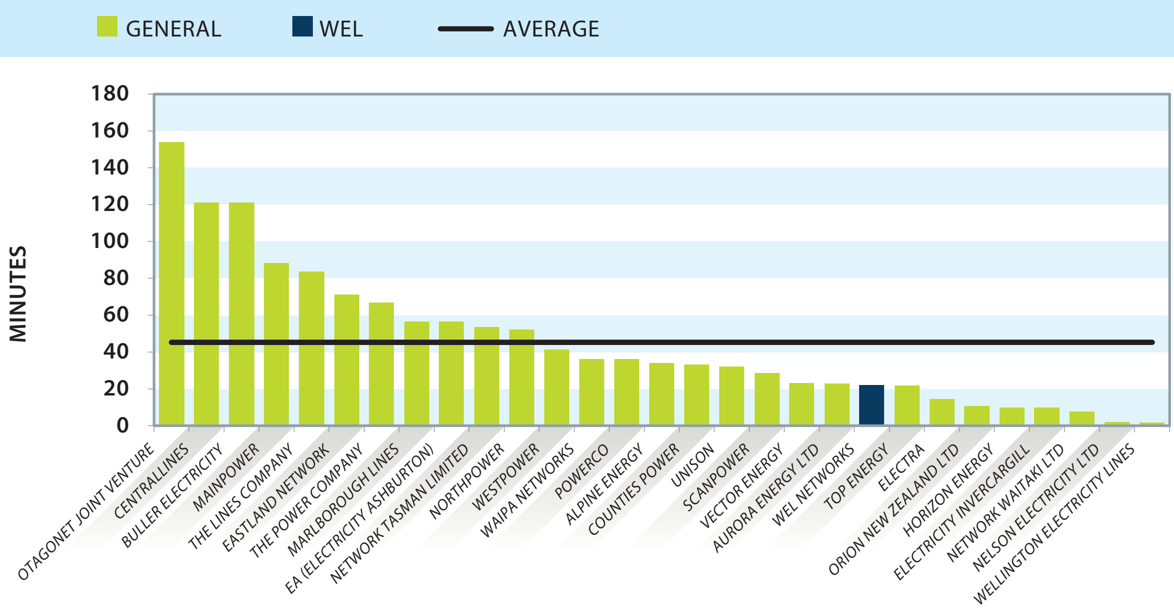
RELIABILITY OF SUPPLY (TOTAL SAIDI) YEAR ENDED 31 MARCH 2014

(Average number of minutes that customers were without electricity)



A significant storm and an increase in the early failure of 16mm² copper conductor contributed to a worse than target result. However we continue to perform much better than industry average.

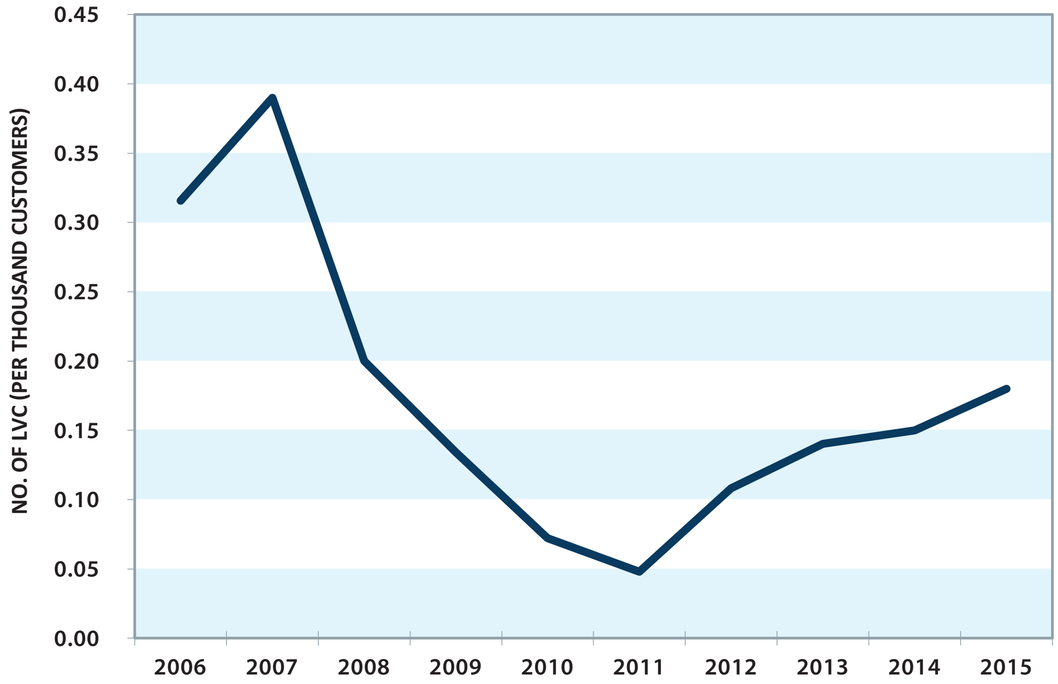
PLANNED OUTAGES YEAR ENDED 31 MARCH 2014



Our planned outages were well managed and significantly better than budget for the year.

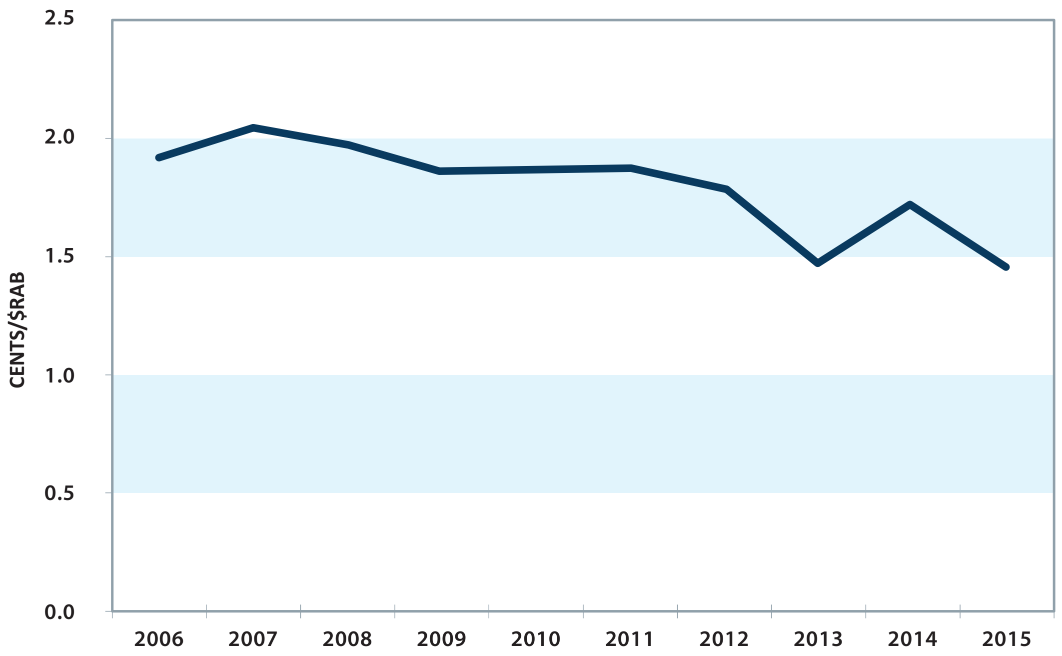
2014/2015 KEY PERFORMANCE INDICATORS (cont.)

LOW VOLTAGE COMPLAINTS



The introduction of Smart Boxes has provided mechanisms for more detailed reporting of voltage investigations.

MAINTENANCE EXPENDITURE PER $ OF REGULATORY ASSET BASE



Lower than budgeted revenue saw a corresponding cost reduction in maintenance expenditure.

EXECUTIVE REPORTS

CHAIRMAN'S REPORT

MARGARET DEVLIN
Chairman

PERFORMANCE

REVENUE	
Group	$195M
WEL	$110M
NET PROFIT AFTER TAX	
Group	$13M
WEL	$21M
Investments	($8M)
CAPITAL EXPENDITURE	$60M
DISCOUNTS PAID	$22M
SAIDI	105 minutes
HEALTH AND SAFETY	
Injury related lost days	59
Near miss improvements	280 reports
Site observations completed	533

2014-15 has been a year of change for the WEL Group, with movements at both Board and Management level. The strategic direction of the business has been reviewed to ensure that the strategy remains fit for purpose and fit for the future.

Overall the Group has delivered a Net Profit After Tax of $13M which was lower than budget of $16M. The key reasons for this are a higher share of UFF losses than predicted, and the write-off of Waikato Networks Limited's (WNL) share of IT development costs.

As signalled in the half year report, there has been continued pressure on line revenue as a result of mild winter weather, lower than expected residential sector growth, electricity efficiency and improving affordability of alternatives such as photovoltaic power systems. It is anticipated that this trend will continue in future years. The strategic focus of the business is therefore revenue optimisation through existing and new opportunities, and cost efficiency.

SAIDI was worse than target during the year as there were a large number of storms that impacted heavily on reliability for our customers. This was common amongst upper north island lines companies. WEL's Lost Time Injury (LTI) result was also worse than target due to two significant events. Learnings from these events have been shared throughout the Company. Health and Safety continues to be a high priority for the Company and it is pleasing to note that site observation and near miss improvement opportunity reporting were both better than target for the year.

CUSTOMERS

Revenue during 2014-15 was lower than expected, reflecting the national trend of declining average consumption per consumer. WEL remains focussed on managing the cost of network supply and has not increased its overall prices to consumers for the coming 2015-16 year.

As part of WEL's commitment to the region's growth, we are constantly looking for ways to reduce the cost of electricity to the people and businesses of the Waikato. One of our major initiatives is the WEL Discount programme, which gives all WEL customers in the Waikato network area a share of our success via an annual discount. In 2015 we returned $22 million (incl. GST) to our customers. We will continue to provide demonstrable value that is in the long term interests of consumers.

REGULATION

WEL continues to monitor the regulatory environment and to work constructively with its regulators. Whilst WEL is exempt from pricing regulation and is only subject to information disclosure, we remain committed to maintaining our price and quality performance in line with the regulated companies.

INVESTMENTS

FIBRE - Ultra Fast Broadband

Fibre build connections	15,600
Regions 100% completed	5/8

Waikato Networks Ltd, a subsidiary of WEL Networks, is responsible for building a 3,000km fibre network, passing about 162,000 addresses in the urban areas of Hamilton, Tauranga, Whanganui, New Plymouth, Tokoroa, Hawera, Cambridge and Te Awamutu. This represents about 13% of the entire national ultra-fast broadband build.

Significant progress has been made with the build programme, with the programme scheduled to be complete by December 2015, some six months ahead of schedule. Five of the eight major build areas are 100% complete, with just New Plymouth and Tauranga (90%) and Hamilton (85%) left to finish.

In line with national trends, the level of connections has increased considerably in the last twelve months, from 4,000 a year ago to over 15,600; triple the volume processed this year compared to the previous year.

The Ultrafast Fibre (UFF) team has been co-located in the WEL Networks offices, however growth and demand is now such that they will be relocating to their own, new premises in April. We wish them well with their move.

Smart Networks and Smart Boxes

Smart boxes connected (WEL)	56,604
Top Energy smart meters connected	2,415

Two initiatives make up our Smart Networks and Smart Box programme of work, WEL's Smart Box programme in the Waikato and the Top Energy Smart Meter rollout in Northland. In the WEL network, 56,604 smart meters have been installed. Whilst slightly behind the target of 60,000, difficult installation sites and hard to contact customers account for the majority of this shortfall. It is expected that this project will be completed in the coming financial year.

For the Top Energy project progress has been significantly slower than anticipated with the installation rates being 50% behind target. Management is completing a review to assess ways to increase installation rates to get the project back on track.

MANAGEMENT AND STAFF

In September the company welcomed Garth Dibley as Chief Executive. In conjunction with the Board, Garth has completed a review of the Group Strategy with particular focus on Asset Management Planning and Delivery, and Health and Safety. This was quickly followed by the transition of David van Deventer from the role of Human Resources Manager to the role of General Manager Operations, and the appointment of two new General Managers: David Fuller as General Manager People and Performance and Paul Blue as General Manager Asset Management.

With so many changes to the leadership of the Company maintaining the required level of focus can be challenging for staff and management. I would like to thank everyone at WEL for their contribution over the last twelve months.

LOOKING FORWARD

Our strategy will ensure that the Group is well placed to deal with the challenges and opportunities of a changing environment. Whilst undoubtedly challenging it is also exciting and I look forward to working with the Board and Management to deliver the WEL Group Strategy. ■

CHIEF EXECUTIVE'S REPORT

GARTH DIBLEY
Chief Executive

NETWORK

2014-15 has seen an uplift in development activity within our region. Building sector work, residential connections and subdivision developments have all increased. This has led to growth in demand for new electrical connections and in the physical expansion of WEL's network.

WEL's principal network planning document, the Asset Management Plan (AMP), is produced annually and covers a 10 year period. In the 2014-15 year we undertook a major review of the existing plan with a focus on re-evaluating our asset risk profile and growth projections to provide a strong investment decision-making platform for our assets. This work produced a much more granular view of our capital expenditure requirements and provided the data required for us to confidently remove $102M of projected spend from the 10 year plan.

Customer feedback on reliability has provided us with information on the expectations of our customer groups. Whilst urban customers are generally satisfied with the level of supply they receive, rural customers have indicated that they require an improvement in their security of supply. Therefore, one of WEL's objectives is to look at ways of reducing rural outages. Network automation projects have focused on replacing infield devices to allow better switching from our Control Room and to enable us to more quickly restore supply for our rural customers. Network protection upgrades were also undertaken at the 33kV level to enhance our network resilience.

WEL has approximately 2,000 kilometres of 11kV overhead line with a variety of conductor materials and types. A number of sections of the older 16mm^2 copper conductor were observed to be failing due to corrosion. In 2014 WEL adopted a modern asset management modelling tool called Condition Based Risk Management (CBRM) to accurately assess the condition of asset classes. This analysis assisted in clearly understanding the extent of the copper conductor failure issue and has resulted in a 10 year programme for replacement being developed.

> "For the second year running we were very pleased to receive a 100% compliance rating by the Electricity and Gas Complaints Commissioner in terms of the way in which we handle complaints, which is a great result."

WEL's ongoing asset replacement programme continues, with CBRM providing valuable input into the condition of infrastructure prior to work being planned. Separate programmes for inspection, maintenance and replacement were also completed for air break switches, distribution transformers, pillars, reclosers, sectionalisers and ring main units.

CUSTOMERS

We passed our Public Safety Management System (PSMS) audit this year with full accreditation.

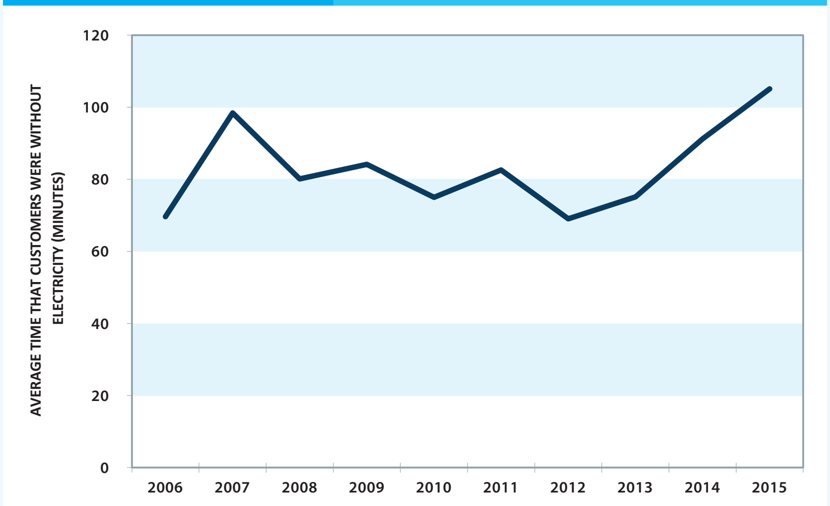
One of our Strategic Plan initiatives focuses on our customers and, in particular, their experience with us. As an essential infrastructure provider, we are a critical enabler for the Waikato. In 2014 we commenced the implementation of a Customer Relationship Management (CRM) system and this will be completed early in the next financial year. We want to make it easy for customers to give us feedback so we can continuously improve, both in the services we provide and in the refinement of our AMP.

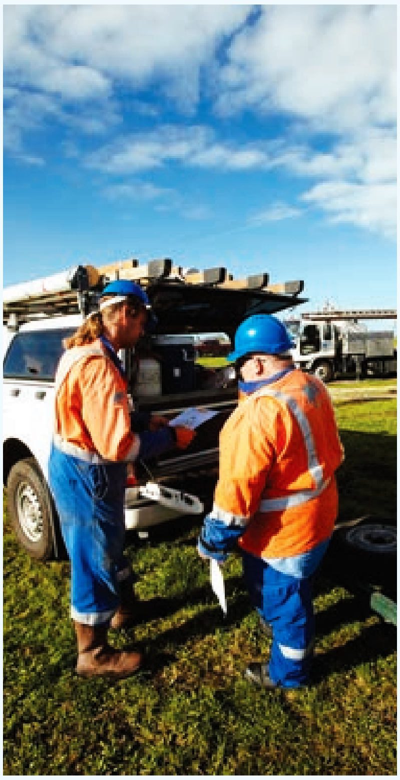
For the second year running we were very pleased to receive a 100% compliance rating by the Electricity and Gas Complaints Commissioner in terms of the way in which we handle complaints, which is a great result.

Our impact on our customers is most often observed when outages occur, regardless of whether they are planned or unplanned. WEL's regulated SAIDI result this year was worse than target, with 105 minutes against a target of 92.

WEL has less control over unplanned events and for 2014-15 this is where the over-run occurred, with storm events, specifically one storm in June 2014, which resulted in 16 SAIDI minutes over two days. We are, however, pleased to report that our planned outages and associated SAIDI minutes were better than target as the result of improved project planning. The allocation of 33 minutes for planned outages was well managed with the year end result being 25 minutes.

RELIABILITY OF SUPPLY (SAIDI)





PEOPLE

We continue to believe that of all of our assets, people are the most important. The redevelopment of WEL's Health and Safety programme has centred on continuing to challenge for improvement in what was already a strong area - we will strive for 'Best in Safety'. The Health and Safety plan is built on a foundation of core beliefs, including personal responsibility; that all incidents are preventable and everyone has a contribution to make. All staff should be able to work in an environment where risks to their health and safety are eliminated or controlled.

The end of March 2015 sees us eight months into a programme of work aimed at supporting our staff to make our workplace completely smoke free prior to legislation coming into effect.

We consistently achieve the highest level of accreditation from ACC and excellent external audit results for our Public Safety Management System.

There have been a number of changes in staffing both before and since my arrival. A new senior management team has been formed and our collective focus for the next two years is dedicated to the core business. Coupled with on-going external change we recognise the need for a highly skilled and competent workforce that is agile and adaptable. To help us achieve this we have developed seven clear work streams in the strategic plan covering people and performance initiatives. Positioning WEL as an employer of choice is also important so that we can continue to attract high calibre staff. I acknowledge and thank staff for their efforts during the last 12 months of change.

BUSINESS

Declining revenues have presented us with some challenges this year. In response we re-baselined our AMP and have commenced a programme of work to look for efficiencies in how we deliver our works management function. A focus on our cost structure meant we were able to achieve a $3 million reduction in Operational Expenditure for the year.

Our smart box rollout programme is nearing completion with the installation of the last of the 60,000 smart boxes due by May 2015. The Top Energy smart meter installation project is proving challenging in terms of getting a sufficient number of qualified installers, therefore, we are actively working with SmartCo to assess our options.

"The smart network is already proving valuable. A smart box can now be accessed when a customer contacts us regarding a fault to determine if their issue is internal to their property or on our network. This saves unnecessary call outs and assists customers with resolving their issue more quickly."

Our smart network is already proving valuable. A smart box can now be accessed when a customer contacts us regarding a fault to determine if their issue is internal to their property or on our network. This saves unnecessary call outs and assists customers with resolving their issue more quickly. WEL's network engineers and Control Room have a wider range of options available now that they can access this real time detailed information. Improved information will lead to improved service to customers through faster power restoration. There are also cost savings due to better decision making around fault response and network project management.

The rollout of ultra fast fibre is still well ahead of schedule and we are seeing large numbers of connection requests, now that all of the major retail service providers are offering services on our network. ■

WEL NEWS

ENGLISH AS A SECOND LANGUAGE

WEL has staff from 26 countries. One challenge that comes with such a diverse workforce is ensuring effective communication when English is not your first language.

When a number of staff asked for assistance in developing their communication skills it quickly became evident that there was an opportunity to provide English language support.

We engaged English Language Partners, an organisation that works with refugees and migrants from over 150 countries, for assistance.

The result was a combination of course work, group sessions and one-on-one coaching that was delivered throughout 2014. The feedback received from participants was that the course was extremely valuable. ■

ASSET MANAGEMENT PLAN

As part of our planning process each year WEL publishes a ten-year Asset Management Plan (AMP).

This year a project was completed to revamp the AMP, as both a strategic document but more importantly to make it a valuable document for our stakeholders. Given the diverse audience of stakeholders, we have worked hard to present the processes, practices, and performance metrics for our assets over the coming ten years.

The aim of the AMP is to ensure we continue to provide a strong, safe, efficient and reliable supply for our customers, and reflect our desire to be Best in Service, Best in Safety.

As a result of revising our strategies through the adoption of a new strategic plan, our AMP has an entirely new structure and significant changes in content.

Our AMP focuses on a number of key initiatives that will improve our planning, business performance and investment decisions. While achieving these we will not compromise on the safety of our staff, contractors, and the general public; this is always our foremost priority, and informs everything we do.

Other significant themes and initiatives centre on providing the level and quality of supply our customers expect, focussing on our core engineering capabilities, and continuous improvement on our established asset performance objectives. We believe our service to urban customers currently meets their expectations, and we will ensure this is maintained in the coming years. However, we need to improve our service reliability in rural areas.

A number of AMP initiatives have already been put in place to achieve this, and we will continue to build on these. Finally, the AMP's measureable performance objectives are directly linked to Safety, Customer Experience, Cost Efficiency and Asset Performance. WEL's AMP can be accessed via our website - **www.wel.co.nz** ■

EVENTS-CITY
ON THE GO!

Stephen Barker - Barker Photography, Hamilton

The recent Cricket World Cup and upcoming FIFA Under-20 World Cup are events that see Hamilton, and our infrastructure, on the world stage.

Many of the games are played at night and this means that both spectators and millions of viewers are relying on us to ensure a faultless power supply.

Since the 2011 Rugby World Cup we have been part of the organising committee for each major sporting event. As a member of the critical infrastructure team it is essential that we 'keep the lights on' more than ever.

The 2014 Cricket World Cup was a big success and we look forward to continuing this as Hamilton once again jumps on to the world stage for the FIFA Under-20 World Cup. ■

HOEKA SUBSTATION

Hoeka Substation is a new zone substation that has been built on the corner of Morrinsville Road (SH26) and Hoeka Road (SH1B).

It is designed to cater for development in Hamilton's south-east growth zone. Construction began in July 2014, with the enclosure completed early 2015. The transformer and high voltage electrical infrastructure are due to be commissioned and put into service in mid-2015. In standing with its rural setting, the substation design concept was to simulate a rural/farm shed. Planting is the final piece of the puzzle to help tie the building into its surroundings. This will take place at the end of summer, once the dry season is over.

REFURBISHMENTS

Noise from older infrastructure was an issue at our Wallace Road substation, so we decided to replace the two existing transformers.

New low noise transformers were installed and at the same time the outdoor switchgear was brought indoors which also makes the site look cleaner and tidier. The replaced transformers will be refurbished and utilised as critical spares.

At our Peacockes Road Substation the 33kV outdoor lattice steel structure, oil-filled circuit breakers and air-break switches were nearing the end of their economic life. The age of the switchgear, coupled with regional growth and winter demand meant we needed to upgrade to new gas insulated switchgear, and this was part of a broader plan to upgrade the entire substation. The transformers have also been replaced and further refurbishments are planned for this coming year. ■

NETWORK REINFORCEMENT

Our Tasman Road substation had been identified as having a shortfall of transfer capacity during a full 33kV/11kV transformer outage. A new 11kV cable was installed between Tasman and Pukete substations and this was successfully commissioned in March 2015. ■

DIRECTORS & EXECUTIVE MANAGEMENT

DIRECTORS' PROFILES

MARGARET DEVLIN
(CHAIRMAN)

Margaret is a professional Director operating predominantly in the infrastructure and service sector. Her current governance portfolio is as follows; Chairman of Harrison Grierson, Chairman of the Waikato Spatial Plan Joint Committee, Director of City Care Limited, Indepen NZ Limited, Waikato Regional Airport Limited and Titanium Park Limited.

She is also a Member of the National Infrastructure Advisory Board and Waikato District Council Audit and Risk Committee. She is a Chartered Fellow of the Institute of Directors, a member of the Institute's National Council and Professional Committee and Chair of the Waikato branch. Margaret has had significant experience in both the retail and infrastructure sectors. Margaret joined the Board in 2007 and was appointed Chair in 2014. ■

MARK FRANKLIN

Mark is currently Chief Executive of the Stevenson Group based in Auckland. He is well known in New Zealand business and has previously held the roles of Chief Executive of Vector Limited and founding Chief Executive of TZ1, the global carbon registry. Mark is also a Director of Ultrafast Fibre Limited and a former Director of New Zealand Railways Corporation. Mark has been a member of the Prime Minister's Climate Change Leadership forum and the Australia New Zealand Joint Prime Minister's Leadership Forum. His other senior roles have included; Director of Operations for IBM Global Services Australia/New Zealand, Chief Executive of Interpath Australia and Executive Chairman of OSIX. Mark was appointed to the Board in October 2009. ■

BARRY HARRIS

Barry has extensive governance and executive experience. Barry has held a number of Chief Executive roles including Environment Waikato, Greater Wellington Regional Council and Hamilton City Council. He was also a senior executive with Fonterra for five years. Barry is currently Chairman of New Zealand Food Innovation (Waikato) Limited, Deputy Chair of AgResearch (a Crown Research Institute) and is also a Director of DairyNZ, Primary ITO and OSPRI (formerly Animal Health Board). Previous boards include CentrePort, RD1, International Nutritionals, Hamilton Riverside Hotels and Local Authority Shared Services. Barry has a Masters of Agricultural Science (Hons) and lives in Hamilton. Barry was appointed to the Board in October 2014. ■

PAUL MCGILVARY

Paul has been the Chief Executive of Tatua Co-operative Dairy Company, based in Morrinsville, since 2008. He is also Chairman of the Japan, USA and Shanghai subsidiaries. Tatua's focus is the manufacturing and marketing of complex value added products for the world's food industry. Prior to that he was the Chief Executive of HortResearch, the largest plant and fruit research organisation in the world. Paul's career to date has included business development and general management roles in a number of industries, including automotive, infrastructure and food, both in New Zealand and overseas. Paul was appointed to the Board in October 2009. ■

ANTHONY (TONY) STEELE

Tony is a Chartered Accountant and has had a career in professional practice. He joined KPMG in 1988. His specialty area was in Business Advisory Services, which included a wide range of commercial and corporate services. Tony retired from the practice in December 2009, after having served 11 years as the Managing Partner of the Hamilton office and a similar term on KPMG's National Management Board. He is a fellow of the Institute of Directors. Tony has been an Independent Director and Chairman of Forlong and Maisey Limited since 2002. He also sits on the Boards of several subsidiaries of Forlong and Maisey Limited in both New Zealand and Australia. Since retiring from KPMG, Tony has accepted appointments as an Independent Director of several local private companies including Innovation Waikato Limited and Waikato Innovation Park Limited. Tony is also a Director of Ultrafast Fibre Limited and is an independent member of the Audit and Risk Committee of Hamilton City Council. Tony was appointed to the Board in October 2010. ■

DAVID WRIGHT

David is a professional company Director and business consultant. He has held Chief Executive and senior management positions in the primary production, transport and electricity industries across both the private and state sectors. Previous appointments include Director of the Land Transport Safety Authority, Chairman of Ports Authority Tonga; Chairman and Acting Chief Executive of Tonga Power Limited and Chief Executive of Dairy InSight Incorporated. David is currently Chairman of West Coast Energy PTY Limited, Chairman of the Air Rescue Group, Deputy Chairman of the New Zealand Blood Service Inc. and a Director of Wellington Water Limited and NZRS Limited. He is also currently the Interim Chief Executive of Heart of the City Inc. David holds a Master of Business Administration (Distinction) and Bachelor of Technology (Food) (Hons). David was appointed to the Board in October 2014. ■

CORPORATE GOVERNANCE

BOARD OF DIRECTORS

The Board is appointed by the shareholder and is responsible for setting and monitoring the direction of the Company. It delegates day to day management of the Company to the Chief Executive. The Board operates in accordance with the WEL Networks Corporate Governance Charter, adopted in October 2005 and most recently amended in June 2014 after rigorous review by the Board to capture the current governance regime for the Company. Additionally, the Board endorses the principles set out in the Code of Proper Conduct for Directors approved and adopted by the Institute of Directors in New Zealand (Inc). The Board receives monthly reports from management and meets at least eight times during each financial year. The Constitution specifies that there shall be no less than four and no more than six Directors of the Company at any time.

The Board has two operating committees: (a) The Remuneration Committee; assists the Board to develop the Company's remuneration policy, sets the Chief Executive's and his direct reports' remuneration packages and all other matters relevant to ensuring a committed and competent workforce; and (b) The Audit and Risk Committee; oversees the Company's compliance with legal and regulatory requirements, financial statements, treasury policy, preparation of the annual report, liaises with the external auditors and reviews internal and external controls relevant to financial reporting, risk management and associated matters, operating under a charter approved by the Board.

RISK MANAGEMENT

The Audit and Risk Committee of the Board oversees the Company's risk management programme. The Company has an Executive Risk Management Committee which ensures that appropriate risks are identified and mitigated where possible and that all policies and procedures consider risk when drafted. This committee is responsible for providing detailed risk reports to the Audit and Risk Committee of the Board on a six monthly basis, and a summarised report on risk to each full Board meeting. Reporting is immediate in the case of extreme residual risks. In addition to normal risk management practices, key controls are reviewed as part of the Company's internal audit programme to ensure they are effective in managing or mitigating known risks.

COMPLIANCE

The Company has a programme in place to review compliance on an ongoing basis across all aspects of its business. To enhance the existing programme ComplyWith compliance assessment has been introduced to assist in ascertaining the level of compliance with generic legal and regulatory requirements. The findings from these assessments will aid in directing the future programme of internal audit. The internal audit programme is currently being provided by KPMG and our internal auditor. In the 2014-15 year specific external reviews were undertaken in the areas of; health and safety governance, IT security and Network Management System (NMS) controls and financial budgeting and forecasting.

ENVIRONMENTAL AND HEALTH AND SAFETY ISSUES

The Board recognises the importance of environmental and health and safety issues. It is committed to the highest levels of performance in all areas of the Company. Health and safety and environmental management programmes have been adopted by the Company. The Company also seeks to assess and improve its performance and standards in these areas, to use energy and other natural resources efficiently, and requires the adoption of similar standards by its suppliers and contractors.

INDEMNIFICATION AND INSURANCE OF OFFICERS AND DIRECTORS

The Company is entitled to indemnify Directors and Officers and to effect insurance for them in respect of certain liabilities arising from their positions (excluding claims by the Company or a related party of the Company). The indemnities and insurances must be given and effected in accordance with the Constitution and the Companies Act.

INFORMATION USED BY DIRECTORS

Information relating to items to be discussed by the Directors at a meeting is provided to Directors prior to the meeting. Directors must not use information received in their capacity as Director, which would not otherwise be available to them, without the prior consent of the Board. Directors are entitled to seek independent professional advice to assist them to meet their responsibilities.

INTERESTS REGISTER

Directors must identify any potential conflict of interest they may have in dealing with the Company's affairs. Where a conflict arises, a Director may still attend a Directors' meeting, but may not be counted in the quorum, partake in the debate or vote on a resolution or affix the seal to any document in which they are interested. The Company maintains an interests register to record particulars of transactions or matters involving Directors. It is available for inspection at the Company's registered office.

Additionally, the Company has implemented an interests register for Executive Managers and other Senior Managers to record potential conflicts of interest. ■

DIRECTORS' DISCLOSURES OF INTEREST

NEW DIRECTORSHIPS FROM 1 APRIL 2014 TO 31 MARCH 2015

MARGARET DEVLIN (CHAIRMAN)

As Chairman of the Waikato Spatial Plan Joint Committee.

MARK FRANKLIN

As Director of Drury South Land Limited.

BARRY HARRIS

As Chairman of New Zealand Food Innovation (Waikato) Limited.

PAUL MCGILVARY

As Chairman of Tatua Japan, Chairman of Tatua USA and Chairman of Tatua Shanghai.

ANTHONY (TONY) STEELE

As Director of Ultrafast Fibre Limited, Director of ETH (Maisey) Trustees Limited, Director of Maisey Trustees No. 1 Limited, Director of Maisey Trustees No. 2 Limited, Member of the Audit and Risk Committee Hamilton City Council and as Director of AVS Trustees Limited.

DAVID WRIGHT

As Chairman of the Air Rescue Group, as Director of Wellington Water Limited and as Interim Chief Executive of Heart of the City Inc.

EXECUTIVE MANAGEMENT

As at 31 March 2015

GARTH DIBLEY
CHIEF EXECUTIVE

Garth's career in New Zealand's electricity industry spans generation, retail, transmission, and - more recently – distribution sectors. Having started as a cadet with Electricity Corporation of New Zealand (ECNZ), he studied towards, and was awarded New Zealand Certificate in Engineering (Mechanical) and a Bachelor of Engineering (Mechanical) degree from the University of Canterbury. In 1999, following deregulation of the electricity industry, Garth joined Meridian Energy where he held a number of engineering and senior management positions, including General Manager Markets and Production in which he identified a series of opportunities to improve Meridian Energy's commercial returns, and General Manager External Relations, successfully managing Meridian Energy's response to a multi-faceted Ministerial Review of the Electricity Market. In 2010, Garth was appointed General Manager Grid Performance at Transpower, leading operations and asset maintenance functions of the national grid. During his time at Transpower, he led a significant programme of change that transformed the approach to asset management, and resulted in Transpower achieving certification in PASS 55/ISO 55,000 (international standard for asset management optimisation).

In addition to his engineering qualifications, Garth holds an MBA degree from Waikato University and has also completed executive training programmes at Kellogg and INSEAD business schools of management. ■

DAVID SMITH
GENERAL MANAGER CORPORATE STRATEGY

David is a Chartered Accountant who joined WEL Networks in July 2007 as Chief Financial Officer. He has been in the role of General Manager Corporate Services since 2008. David was appointed Acting Chief Executive from January to September 2014.

Prior to his time at WEL he was based in Auckland for 11 years as Financial Controller with Watercare Services Limited. During his time at Watercare he was involved in all financial and treasury aspects for the business including a number of significant capital expenditure projects. Prior to his time with Watercare David held a number of senior finance roles within the Fletcher Challenge Forests group of companies. ■

PAUL BLUE
GENERAL MANAGER
ASSET MANAGEMENT

Paul is a qualified engineer with a BE (Hons) in Electrical and Electronic Engineering. He has spent his entire working career in the electricity industry, beginning at the New Zealand Aluminium Smelter. For the past thirteen years Paul has held a number of roles at Transpower, New Zealand's national grid operator.

Past responsibilities included project management with the North Island grid upgrade project and most recently as the Upper North Island Regional Manager. Paul leads WEL's Asset Management team which includes the functions of network planning and design; asset performance; quality and investment; system control; operate and restore. ■

DAVID VAN DEVENTER
GENERAL MANAGER
OPERATIONS

David has had an extensive career in management across a range of critical infrastructure services including the water, wastewater and electricity distribution sectors. Prior to joining WEL in 2008 David held Human Resources Management positions with Umgeni Water in South Africa and Watercare Services Limited in Auckland.

At WEL David is responsible for network operations and first response, as well as capital and customer projects delivery; and a field force responsible for construction and maintenance of overhead services, underground services and substations. ■

DAVID FULLER
GENERAL MANAGER
PEOPLE AND PERFORMANCE

David has significant experience in organisational and capability development, assisting companies on both sides of the Tasman to achieve improvements in performance and capability through effective people, culture and leadership strategies.
His career spans the infrastructure, telecommunications, government, entertainment and health sectors.

Prior to Joining WEL David held business transformation roles at Transpower and Vodafone. His responsibilities at WEL include human resources, recruitment, health and safety, people and performance, and organisational development.
David has completed the Institute for Strategic Leadership (ISL) mini-MBA General Management Programme. ■

MARK BUNTING

DENISE HARDING

ROB HAMILL

MARK INGLE (Chair)

BRAD CHIBNALL

KATHRYN WILLIAMS

CHARLOTTE ISAAC

FINANCIAL STATEMENTS

2014/15 FINANCIAL REPORT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Statement of Comprehensive Income

For the year ended 31 March 2015

	Note	Group 2015 ($000)	Group 2014 ($000)	Parent 2015 ($000)	Parent 2014 ($000)
Revenue	4	**194,988**	165,890	**110,079**	103,873
Other net gains	5	**31**	31	**31**	31
Contracting cost of sales	6	**(84,353)**	(61,611)	**(1,029)**	(1,106)
Other operating expenses	6	**(82,484)**	(75,911)	**(76,428)**	(72,573)
Net operating profit		**28,182**	28,399	**32,653**	30,225
Finance costs	7	**(4,268)**	(2,137)	**(5,402)**	(2,943)
(Loss) / gain on deemed disposal of share in joint venture	13	**(2,246)**	(1,139)	**-**	-
Share of loss of joint venture	13	**(2,933)**	(1,398)	**-**	-
Net profit before income tax		**18,735**	23,725	**27,251**	27,282
Income tax expense	8	**(5,810)**	(6,346)	**(6,744)**	(6,632)
Net profit for the year		**12,925**	17,379	**20,507**	20,650
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss					
Gain / (loss) on revaluation of property, plant and equipment, net of deferred tax		**543**	598	**543**	598
Cash flow hedge (net of tax)		**(933)**	(237)	**(933)**	(237)
Total items that may be reclassified subsequently to profit or loss		**(390)**	361	**(390)**	361
Other comprehensive income / (expense) for the period, net of tax		**(390)**	361	**(390)**	361
Total comprehensive income for the year		**12,535**	17,740	**20,117**	21,011
Total net profit attributable to:					
Owners of the parent		**14,062**	17,871	**20,507**	20,650
Non-controlling interest		**(1,137)**	(492)	**-**	-
		12,925	17,379	**20,507**	20,650
Total comprehensive income attributable to:					
Owners of the parent		**13,672**	18,232	**20,117**	21,011
Non-controlling interest		**(1,137)**	(492)	**-**	-
		12,535	17,740	**20,117**	21,011

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

Balance Sheet

As at 31 March 2015

	Note	Group 2015 ($000)	Group 2014 ($000)	Parent 2015 ($000)	Parent 2014 ($000)
ASSETS					
Non-current assets					
Property, plant and equipment	9	**557,581**	525,344	**557,251**	524,931
Intangible assets	10	**11,635**	13,075	**10,181**	9,327
Trade and other receivables	11	**333**	329	**333**	329
Investment in joint venture	13	**62,641**	28,381	**-**	-
Investment in subsidiaries	26	**-**	-	**96,753**	49,694
		632,190	567,129	**664,518**	584,281
Current assets					
Cash and cash equivalents	15	**-**	1,883	**-**	1,704
Trade and other receivables	11	**18,851**	12,626	**11,381**	10,469
Loan to subsidiary company	27	**-**	-	**-**	8,554
Construction work in progress	12	**36,069**	31,014	**-**	-
Current income tax receivable		**886**	-	**-**	-
		55,806	45,523	**11,381**	20,727
TOTAL ASSETS		**687,996**	612,652	**675,899**	605,008
EQUITY					
Capital and reserves					
Share capital	16	**111,142**	111,142	**111,142**	111,142
Convertible notes	17	**39,000**	39,000	**39,000**	39,000
Other reserves	29	**158,682**	161,012	**156,574**	158,904
Retained earnings		**100,461**	87,579	**112,216**	92,889
		409,285	398,733	**418,932**	401,935
Non-controlling interests		**(1,702)**	(565)	**-**	-
TOTAL EQUITY		**407,583**	398,168	**418,932**	401,935
LIABILITIES					
Non-current liabilities					
Borrowings	18	**137,266**	-	**137,266**	-
Deferred income tax liabilities	19	**75,888**	73,821	**74,834**	74,167
Deferred income	20	**1,237**	1,323	**1,041**	1,072
Derivative financial instruments	14	**1,805**	-	**1,805**	-
Provisions	22	**590**	668	**590**	668
		216,786	75,812	**215,536**	75,907
Current liabilities					
Cash and cash equivalents	15	**2,961**	-	**3,065**	-
Trade and other payables	21	**24,404**	18,922	**17,841**	16,186
Provisions	22	**87**	143	**87**	143
Current income tax payable		**-**	1,305	**529**	1,305
Loan from subsidiary company	27	**-**	-	**809**	-
Loan from non-controlling interest	27	**17,075**	8,770	**-**	-
Derivative financial instruments	14	**-**	367	**-**	367
Customer discount payable		**19,100**	19,365	**19,100**	19,365
Borrowings	18	**-**	89,800	**-**	89,800
		63,627	138,672	**41,430**	127,166
TOTAL LIABILITIES		**280,413**	214,484	**256,966**	203,073
TOTAL EQUITY AND LIABILITIES		**687,996**	612,652	**675,899**	605,008

The above balance sheet should be read in conjunction with the accompanying notes.

MARGARET DEVLIN, CHAIRMAN
29 MAY 2015

PAUL MCGILVARY, DIRECTOR
29 MAY 2015

Statement of Changes in Equity

For the year ended 31 March 2015

	Note	ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY						
		Contributed equity ($000)	Convertible notes ($000)	Reserves ($000)	Retained earnings ($000)	Total ($000)	Non-controlling interest ($000)	Total equity ($000)
Group								
Balance at 1 April 2013		111,142	39,000	162,787	70,692	383,621	(73)	383,548
Comprehensive income								
Net profit for the year		-	-	-	17,871	17,871	(492)	17,379
Other comprehensive income								
Cash flow hedge (net of tax)		-	-	(237)	-	(237)	-	(237)
Fair value gains:								
- distribution network		-	-	(2,136)	2,136	-	-	-
Movement in deferred tax on revaluation	19	-	-	598	-	598	-	598
Net income recognised directly in equity		-	-	(1,775)	2,136	361	-	361
Total comprehensive income for 2013/2014		-	-	(1,775)	20,007	18,232	(492)	17,740
Transactions with owners								
Interest on convertible note	27	-	-	-	(3,120)	(3,120)	-	(3,120)
Dividends paid / accrued	30	-	-	-	-	-	-	-
Total transactions with owners		-	-	-	(3,120)	(3,120)	-	(3,120)
Balance at 31 March 2014		111,142	39,000	161,012	87,579	398,733	(565)	398,168
Balance at 1 April 2014		111,142	39,000	161,012	87,579	398,733	(565)	398,168
Comprehensive income								
Net profit for the year		-	-	-	14,062	14,062	(1,137)	12,925
Other comprehensive income								
Cash flow hedge (net of tax)		-	-	(933)	-	(933)	-	(933)
Fair value gains:								
- distribution network		-	-	(1,940)	1,940	-	-	-
Movement in deferred tax on revaluation	19	-	-	543	-	543	-	543
Net income recognised directly in equity		-	-	(2,330)	1,940	(390)	-	(390)
Total comprehensive income for 2014/2015		-	-	(2,330)	16,002	13,672	(1,137)	12,535
Transactions with owners								
Interest on convertible note	27	-	-	-	(3,120)	(3,120)	-	(3,120)
Total transactions with owners		-	-	-	(3,120)	(3,120)	-	(3,120)
Balance at 31 March 2015		**111,142**	**39,000**	**158,682**	**100,461**	**409,285**	**(1,702)**	**407,583**

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Statement of Changes in Equity *(continued)*

For the year ended 31 March 2015

	Note	ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY				
		Contributed equity ($000)	**Convertible notes ($000)**	**Reserves ($000)**	**Retained earnings ($000)**	**Total equity ($000)**
Parent						
Balance at 1 April 2013		111,142	39,000	160,679	73,223	384,044
Comprehensive income						
Net profit for the year					20,650	20,650
Other comprehensive income						
Cash flow hedge (net of tax)		-	-	(237)	-	(237)
Fair value gains:						
- distribution network		-	-	(2,136)	2,136	-
Movement in deferred tax on revaluation	19	-	-	598	-	598
Net income recognised directly in equity		-	-	(1,775)	2,136	361
Total comprehensive income for 2013/2014		-	-	(1,775)	22,786	21,011
Transactions with owners						
Interest on convertible note	27	-	-	-	(3,120)	(3,120)
Total Transactions with owners		-	-	-	(3,120)	(3,120)
Balance at 31 March 2014		**111,142**	**39,000**	**158,904**	**92,889**	**401,935**
Balance at 1 April 2014		111,142	39,000	158,904	92,889	401,935
Comprehensive income						
Net profit for the year					20,507	20,507
Other comprehensive income						
Cash flow hedge (net of tax)		-	-	(933)	-	(933)
Fair value gains:						
- distribution network		-	-	(1,940)	1,940	-
Movement in deferred tax on revaluation	19	-	-	543	-	543
Net income recognised directly in equity		-	-	(2,330)	1,940	(390)
Total comprehensive income for 2014/2015		-	-	(2,330)	22,447	20,117
Transactions with owners						
Interest on convertible note	27	-	-	-	(3,120)	(3,120)
Total Transactions with owners		-	-	-	(3,120)	(3,120)
Balance at 31 March 2015		**111,142**	**39,000**	**156,574**	**112,216**	**418,932**

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows

For the year ended 31 March 2015

	Note	Group 2015 ($000)	Group 2014 ($000)	Parent 2015 ($000)	Parent 2014 ($000)
Cash flows from operating activities					
Receipts from customers		**188,570**	167,895	**104,109**	103,478
Payments to employees and suppliers		**(136,367)**	(122,907)	**(47,425)**	(46,262)
Interest received		**-**	-	**3,709**	1,622
Interest paid		**(3,541)**	(1,840)	**(7,562)**	(4,347)
Income tax paid		**(5,391)**	(4,175)	**(6,311)**	(4,175)
Net cash from operating activities		**43,271**	38,973	**46,520**	50,316
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment		**877**	4,202	**820**	4,173
Purchases of property, plant and equipment		**(58,187)**	(51,652)	**(58,098)**	(51,475)
Purchases of intangible assets		**(3,377)**	(5,167)	**(2,820)**	(1,619)
Purchase of investments		**(39,439)**	(24,484)	**(44,900)**	(23,079)
Net cash used in investing activities		**(100,126)**	(77,101)	**(104,998)**	(72,000)
Cash flows from financing activities					
Proceeds from borrowings	18	**55,131**	51,850	**47,466**	47,800
Repayment of intercompany loan	27	**-**	-	**9,363**	(12,197)
Interest on convertible notes	27	**(3,120)**	(3,120)	**(3,120)**	(3,120)
Dividend paid	28	**-**	(10,000)	**-**	(10,000)
Net cash used in financing activities		**52,011**	38,730	**53,709**	22,483
Net increase / (decrease) in cash and cash equivalents		**(4,844)**	602	**(4,769)**	799
Cash and cash equivalents at the beginning of the year		**1,883**	1,281	**1,704**	905
Cash and cash equivalents at the end of the year		**(2,961)**	1,883	**(3,065)**	1,704
Comprises of the following:					
Cash and deposits		**(2,961)**	1,883	**(3,065)**	1,704
		(2,961)	1,883	**(3,065)**	1,704

Reconciliation of net profit after tax to net cash flows - operating activities

	Group 2015 ($000)	Group 2014 ($000)	Parent 2015 ($000)	Parent 2014 ($000)
Net profit after tax	**12,925**	17,379	**20,507**	20,650
Adjustments for items not involving cash flows:				
Depreciation	**21,528**	21,079	**21,424**	20,958
Amortisation	**2,901**	2,381	**1,969**	2,062
Loss on sale of property, plant and equipment	**3,638**	2,789	**2,662**	2,789
Net movements in provision for liabilities and charges	**554**	171	**(2,191)**	(31)
Deferred tax asset	**3,115**	1,386	**1,210**	1,775
Loss / (gain) on disposal of share in joint venture	**2,246**	1,139	**-**	-
Share of loss of joint venture	**2,933**	1,398	**-**	-
Changes in working capital:				
Trade and other receivables	**(6,494)**	101	**(1,181)**	(1,109)
Construction work in progress	**(5,055)**	(9,488)	**-**	-
Trade and other payables	**7,675**	(147)	**2,897**	2,540
Current income tax liabilities	**(2,695)**	785	**(777)**	682
Net cash inflow from operating activities	**43,271**	38,973	**46,520**	50,316

The above statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the consolidated financial statements

For the year ended 31 March 2015

1. General information
WEL Networks Limited is a profit-oriented company incorporated in New Zealand under the Companies Act 1993. The Group consists of WEL Networks Limited ('the Company' or 'Parent') and its subsidiaries (together 'the Group'). The Group is an electricity network business, delivering energy to customers in the Waikato Region and is the contracting company associated with the construction of the Government Ultrafast Fibre roll out programme in the Waikato, Tauranga and Taranaki areas.

The Company is a limited liability company incorporated in New Zealand. The address of its registered office is 114 Maui Street, Hamilton.

These consolidated financial statements have been approved for issue by the Board of Directors on 29 May 2015. Once issued the entity's owners do not have the power to amend these financial statements.

The structure of the Group consists of:

Operating subsidiaries	Activity	Interest 2015	Interest 2014
Waikato Networks Limited	Construction of fibre network	**85%**	85%

Non-operating entities
WEL Electricity Limited
WEL Energy Group Limited
Waikato Electricity Limited
WEL Power Limited
WEL Generation Limited

2. Summary of significant accounting policies
The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The following new standards and amendments to standards were applied during the period:

Amendments to the XRB A1 Accounting standards framework: Omnibus amendments (Legislative update)
Amendments to ensure the standard appropriately reflects the legislative changes.

External reporting board standard A2 meaning of specified statutory size thresholds
The standard sets out the meaning of the following specified terms which are required under legislation to be defined in NZ IFRS: Total assets; Total revenue; Total operating payments and Total operating expenditure.

Amendments to accounting standards: Omnibus amendments (Legislative update)
Amendments to ensure the standards appropriately reflect the legislative changes. The amendment impacts various accounting standards, including NZ IFRS 7 and the definition of a deposit taker, NZ IAS 1 and references to the Financial Reporting Act 1993.

Amendment to IAS 32, 'Financial instruments: Presentation', on asset and liability offsetting
These amendments are to the application guidance in IAS 32, 'Financial instruments: Presentation', and clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet.

Standards, amendments and interpretations to existing standards that are not yet effective
Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2012 or later periods but which the Group has not early adopted and is not expected to result in a material impact on the Group's or Company's financial statements. The following new standards are applicable to the Group:

NZ IFRS 15: Revenue from contracts with customers (Effective date: periods beginning on or after 1 January 2017)
NZ IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces NZ IAS 18 'Revenue' and NZ IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. The Group intends to adopt NZ IFRS 15 on its effective date.This standard is not expected to significantly impact the Group.

Summary of significant accounting policies (continued)

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

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

2.1 Basis of preparation
(a) Basis of preparation
The consolidated financial statements of WEL Networks Limited have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). They comply with the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. The separate and consolidated financial statements of WEL Networks Limited also comply with International Financial Reporting Standards (IFRS). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of land, buildings and distribution network as disclosed in the specific accounting policies below. The Group has adopted External Reporting Board Standard A1 'Accounting Standards Framework (For-profit Entities Update)' ('XRB A1') in the current period.

(b) Estimates and judgement
The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The estimates and associated assumptions have been based on historical experience and other factors that are believed to be reasonable under the circumstances. These estimates and assumptions have formed the basis for making judgements about the carrying values of assets and liabilities where these are not readily apparent from other sources. Estimates and underlying assumptions are regularly reviewed. Any change to estimates is recognised in the period if the change affects only that period, or into future periods if it also affects future periods. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 3.

(c) Consolidation
Subsidiaries
Subsidiaries are all entities (including structured 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.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Summary of significant accounting policies (continued)

(c) Consolidation (continued)
The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. When necessary amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

Joint arrangements
Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor. WEL Networks Limited has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

(d) Changes in ownership interests in subsidiaries without change of control
Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions - that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposal to non-controlling interests are also recorded in equity.

(e) Joint venture
The interest in Ultrafast Fibre Limited (UFF) is accounted for in the consolidated financial statements using the equity method and is carried at cost by the parent entity. Under the equity method, the share of profits or losses of the joint venture is recognised in the Statement of Comprehensive Income, and the share of movements in reserves is recognised in reserves in the Balance Sheet.

Ultrafast Fibre Limited has a reporting date of 30 June 2015.

(f) Entities reporting
The financial statements of the 'Parent' or 'Company' are for WEL Networks Limited as a separate legal entity. The consolidated financial statements of the 'Consolidated' or 'Group' entity are for the economic entity comprising WEL Networks Limited and its subsidiaries. The Parent and the consolidated entity are designated as profit oriented entities for financial reporting purposes.

(g) Statutory base
WEL Networks Limited is a limited liability company which is domiciled and incorporated in New Zealand. It is registered under the Companies Act 1993. The financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 2013 and the Companies Act 1993.

2.2 Foreign currency translation
(a) Functional and presentation currency
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated and Parent financial statements are presented in New Zealand dollars, rounded to the nearest $1,000, which is the Company's functional and presentation currency.

(b) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss component of the statements of comprehensive income, except when deferred in equity as qualifying cash flow hedges in which case, they are recognised in other comprehensive income.

Summary of significant accounting policies (continued)

2.3 Property, plant and equipment
Land and buildings comprise mainly the corporate office, warehouse and substation land, while the electricity distribution network comprises mainly cables, poles and transformers.

Land and buildings are valued at fair value. Fair value is determined by a periodic independent valuation prepared by external valuers on the basis of market value for highest and best use. The valuations are performed on at least a triennial period. The fair values are recognised in the financial statements, and are reviewed at the end of each reporting period to ensure that the carrying value of land and buildings is not materially different from fair value.

The electricity distribution network is measured at fair value. Fair value has previously been determined on the basis of an independent valuation prepared by external valuers, based on a depreciated replacement cost methodology. The fair values have been recognised in the financial statements of the Group and have been reviewed at the end of each reporting period to assess whether the carrying value of the electricity distribution network is not materially different from fair value. Consideration has been given as to whether the electricity distribution network is impaired as detailed in note 2.6. From 31 March 2013 onwards fair value has been determined on the basis of an independent valuation prepared by expert valuers using a discounted cash flow methodology (DCF).

Any revaluation increase arising on revaluation of land and buildings and the distribution network is credited to the asset revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense in the income statement, in which case the increase is credited to the profit and loss account to the extent of the decrease previously charged.
A decrease in carrying amount arising on the revaluation of land and buildings and the distribution system is charged as an expense in the income statement to the extent that it exceeds the balance, if any, held in the asset revaluation reserve relating to a previous revaluation of that asset.

All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land.

Depreciation on revalued buildings and the distribution network is charged to the income statement. On subsequent sale or retirement of a revalued item, the attributable revaluation surplus remaining in the asset revaluation reserve, net of any related deferred taxes, is transferred directly to retained earnings. Other plant and equipment and leasehold improvements are carried at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. The cost of self-constructed assets includes the cost of materials and direct labour and an allowance for overheads. Borrowing costs are capitalised in respect of qualifying assets valued at $500,000 or more and which take three months or more to construct.

Depreciation on buildings and the distribution network is calculated using the straight-line method with other assets depreciated using the diminishing value basis, to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

	2015	2014
Buildings	3%	3%
Distribution network	1.3% - 16.7%	1.3% - 16.7%
Computer equipment	35%	35%
Furniture, plant and equipment	5% - 50%	5% - 50%
Vehicles	14% - 50%	14% - 50%

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.6).

2.4 Fair value estimation
Financial instruments that are measured in the balance sheet at fair value are disclosed by level under the following fair value measurement hierarchy :

Level 1 - quoted prices (unadjusted) in active markets for the identical asset or liability.

Level 2 - inputs other than quoted prices that are observable for the asset or liability, either directly or derived from level 1 prices.

Level 3 – inputs for the asset or liability that are not based on observable market data.

The Group enters into forward exchange contracts to reduce exposure to foreign exchange movements. These are not traded in an active market and are measured at their fair value on balance date using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. Therefore these derivatives are classified as Level 2 instruments.

Summary of significant accounting policies (continued)

2.5 Intangible assets

(a) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on a straight line basis over their estimated useful lives (two to five years).

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Computer software development costs recognised as assets are amortised on a straight line basis over their estimated useful lives (two to five years).

(b) Easements

Acquired easement rights are capitalised on the basis of the costs incurred where the rights have an expiration date. These costs are amortised on a straight line basis over their estimated useful lives (33 years).

(c) Leasehold Interest

Long term leasehold interest in substation land has been recorded at fair value. The assets will be amortised over the period of the leases on a straight line basis.

2.6 Impairment of non-financial assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.7 Financial assets

The Group classifies its financial assets as assets at fair value through profit or loss, or loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are classified as 'trade and other receivables' and cash and cash equivalents' in the balance sheet (Note 2.9 and 2.12 respectively).

(b) Assets at fair value through profit or loss

Derivative assets that do not meet the criteria for hedge accounting are recorded at fair value through profit or loss.

2.8 Financial liabilities

The Group classifies its financial liabilities as other financial liabilities at amortised cost or liabilities at fair value through profit or loss. The classification depends on the purpose for which the financial liability arose. Management determines the classification of its financial liabilities at initial recognition and re-evaluates this designation at every reporting date.

(a) Other financial liabilities at amortised cost

Other financial liabilities at amortised cost are non-derivative financial liabilities with fixed or determinable payments that are not quoted in an active market. They are included in current liabilities, except for maturities greater than 12 months after the reporting date which are classified as non-current liabilities. Other financial liabilities are classified as 'trade and other payables', 'customer discount payable', 'loans from non-controlling interest' and 'borrowings' in the balance sheet.

(b) Liabilities at fair value through profit or loss

Derivative liabilities that do not meet the criteria for hedge accounting are recorded at fair value through profit or loss.

2.9 Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impaired receivables.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the profit and loss component of the Statement of Comprehensive Income.

Summary of significant accounting policies (continued)

2.10 Derivatives

Forward exchange contracts are used to reduce the Company's exposure to foreign exchange movements on transactions denominated in foreign currencies. Interest rate swaps are used to reduce the Company's exposure to interest rate risk on financing transactions.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to 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 either;

(1) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or
(2) hedges of highly probable forecast transactions (cash flow hedges).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge 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 have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair value of various derivative instruments used for hedging purposes are disclosed in note 14. Movements on the hedging reserve in shareholders' equity are shown in the Statement of changes in equity. The full fair value of a hedging derivative is classified as a noncurrent 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.

Cash flow hedge

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 any ineffective portion is recognised immediately in the profit and loss component of the statements of comprehensive income.

Amounts accumulated in equity are reclassified to the profit and loss component of the statements of comprehensive income in the periods when the hedged item affects the profit and loss component of the statements of comprehensive income (for instance when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the measurement of the initial cost or carrying amount of the asset or liability.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for 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 profit and loss component of the statements of comprehensive income. 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 component of the statements of comprehensive income.

2.11 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.12 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

2.13 Contributed equity

Ordinary shares are classified as equity.

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

2.14 Convertible notes

Convertible notes issued by WEL Networks Limited can be converted to non-participating redeemable shares (NPRS) at the option of the issuer, and where the number of NPRS to be issued does not vary with changes in fair value, are classified as equity. Convertible notes are initially measured at fair value, and are not subsequently re-measured except on conversion or expiry.

Interest payments on convertible notes are recorded as a distribution through the statement of movements in equity. Interest rate was fixed at 8% until 31 March 2015. The convertible notes have been extended until 31 March 2020. The new interest rate from 1 April 2015 is 6.28%.

Summary of significant accounting policies (continued)

2.15 Income tax
The income tax expense or revenue for the period is the total of the current period's taxable income based on the national income tax rate, plus/minus movements in the deferred tax balance except where the movement in deferred tax is attributable to a movement in reserves.

Movements in deferred tax are attributable to temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements and any unused tax losses or credits. Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or loss or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only to the extent that it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the Parent is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

The income tax expense or revenue attributable to amounts recognised directly in equity are also recognised directly in equity. The associated current or deferred tax balances are recognised in these accounts as usual.

Current and deferred tax assets and liabilities of individual entities are reported separately in the consolidated financial statements unless the entities have a legally enforceable right to make or receive a single net payment of tax and the entities intend to make or receive such a net payment or to recover the current tax asset or settle the current tax liability simultaneously.

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

2.17 Employee benefits
(a) Wages and salaries, annual leave and sick leave
Liabilities for wages and salaries, including non monetary benefits, annual leave and accumulated sick leave expected to be settled within 12 months of the reporting date are recognised in 'other payables' in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(b) Termination benefits
Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the reporting date are discounted to present value.

(c) Bonus plans
The Group recognises a liability and an expense for bonuses, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

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

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.19 Revenue recognition
Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown, net of GST, estimated returns, rebates and discounts and after eliminated sales within the Group. Revenue is recognised as follows:

(a) Line revenue
The Company invoices its customers (predominantly electricity retailers) monthly for the electricity delivery services across the region's lines network. The reported net line revenue includes the provision for the annual customer discounts that are accrued on a monthly basis but only paid to customers once a year. Unclaimed discounts are released against the discount expense.

Summary of significant accounting policies (continued)

2.19 Revenue recognition (continued)

(b) Sales of services, contracting sales and third party contributions

Sales of services, contracting sales and third party contributions are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

(c) Construction contract revenue

Refer to policy 2.23 construction contracts.

(d) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(e) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the statement of comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred income and are credited to the statement of comprehensive income on a straight-line basis over the expected lives of the related assets.

(f) Operating lease revenue

Operating lease revenue is recognised when the services have been performed under the terms of the contracts.

2.20 Leases

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

2.21 Dividends

Provision is made for the amount of any dividend declared on or before the end of the financial year but not distributed at balance date.

2.22 Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use.

2.23 Construction contracts

Contract costs are recognised when incurred. 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.

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Construction contract revenue is calculated on an average cost per premise passed and is recognised when the network has been accepted by Ultrafast Fibre Limited. The contract average cost per premise passed is determined by the Network Infrastructure Project Agreement and recognises a difference between priority and non priority premises. A priority premise is determined as a premise for business, health and education purposes whereas a non priority premise is mainly a residential connection. The approved network deployment plan determines the order of premises to be constructed and whether this is determined as a priority or non priority premise.

On the balance sheet, the Group reports the net contract position for each contract as either an asset or a liability. A contract represents an asset where costs incurred plus recognised profits (less recognised losses) exceed progress billings; a contract represents a liability where the opposite is the case.

Summary of significant accounting policies (continued)

2.24 Investments
Investments are valued at historical cost. Impairments in the value of investments are written off to profit and loss as they arise.

3. Critical accounting estimates and judgements
Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Revenue recognition for line revenue
Line revenue discounts are paid to customers once a year. A provision for line revenue discounts is recorded on a monthly basis.

(b) Revenue recognition for sale of services
The Group uses the percentage-of-completion method in accounting for its sales of services. Use of the percentage-of-completion method requires the Group to estimate the services performed to date as a proportion of the total services to be performed.

(c) Estimated fair value and useful lives of distribution network assets, substation land and buildings.
The Group estimates the fair value of the distribution network, substation land and buildings by using independent valuers in accordance with the accounting policy stated in note 2.3. The fair value is based on a discounted cash flow methodology for distribution network assets and buildings. The fair value for land is based on market value for highest and best use. The useful lives of the components of the distribution network are estimated based on their respective tenure period. These calculations require the use of estimates. Changes of the underlying assumptions of the valuation in the future could have a material effect on the carrying amount of distribution network (see note 9).

(d) Construction contract revenue and profitability
A construction contract is defined by NZ IAS 11, "Construction Contracts", as a contract specifically negotiated for the construction of an asset.

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract by reference to the stage of completion. Contract costs are recognised as expenses by reference to the stage of completion of the contract activity at the end of the reporting period. When it is probable that the total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

The Group uses the "percentage of completion method" to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to premises passed and acceptance by Crown Fibre Holdings Ltd (CFH).

On the Balance Sheet, the Group reports the net contract position for each contract as either an asset or a liability. A contract represents an asset where costs incurred plus recognised profits (less recognised losses) exceed progress billings; a contract represents a liability where the opposite is the case.

The subsidiary company Waikato Networks Limited (WNL) is currently contracted to the joint venture Ultrafast Fibre Limited (UFF) to build the ultra fast fibre network. Under the terms of the contractual arrangements WNL may apply for additional compensation for any overspend associated with the communal layer 1 construction. This may amount up to $19.88 million (that currently includes Velocity Network assets of $5.6 million) but will not be able to be determined until closer to the expected completion of the contract in January 2016. In determining the forecast outcome of the contract, for the purposes of determining whether an expense is required to be recognised in the financial statements, WNL have assumed the additional compensation of $19.88 million will be received.

On the 31st March 2012 Velocity Group Holdings Limited, Velocity Networks Limited, Velocity Infrastructure Limited and Hamilton Fibre Networks Limited were amalgamated with Waikato Networks Limited. Under the amalgamation Waikato Networks Limited took control of all the assets of Velocity Group Holdings, Velocity Networks Limited for $5.6 million. This balance of $5.6 million forms part of the construction work in progress in WNL under communal layer 1 construction (Note 12).

Included in Construction Work in Progress (Note 12) are further amounts of approximately $14 million which represent the cost of elements of the contract to construct connections on the ultra fast fibre network which have yet to be fully agreed with and billed to Ultrafast Fibre Limited and require contractual amendments to enable their full recovery. The finalisation of the billing of these costs is the subject of commercial negotiation.

The Directors consider that no provision is required to recognise any significant difference which may arise between that the cost of the work in progress incurred but not billed at balance date and the amount which will ultimately be received.

(e) Discounted cash flows
Management assesses whether individual assets or a grouping of related assets (which generate cash flows independently) are impaired by estimating the future cash flows that those assets are expected to generate. Assumptions such as rates of expected revenue growth or decline, expected future margins and the selection of an appropriate discount rate for discounting future cash flow are required.

3. Critical accounting estimates and judgements (continued)

(f) Determining the nature of the investment in joint venture

The nature of Waikato Networks Limited's (WNL) investment in Ultrafast Fibre Limited (UFF) is not readily apparent, and requires significant judgement. On balance the Directors consider that UFF is jointly controlled by WNL and Crown Fibre Holdings Ltd (CFH) for the following reasons: each shareholder shares in the risks and returns of the arrangement and neither party has the power to affect those benefits or returns; during the concession period neither WNL nor CFH have the unilateral right to make decisions regarding UFF activities; WNL and CFH both have the right to appoint three of the seven directors on the UFF Board and neither is able to control the majority of votes of the Board; and appointment of the independent chairman is a joint decision between both parties.

(g) Assessment of any impairment in the carrying value of the investment in Ultrafast Fibre Limited

In order to assess whether there is any impairment in the carrying value of the investment in Ultrafast Fibre Limited, a fair value must be estimated. Determination of the fair value requires significant judgement regarding the key assumptions used in a value in use methodology. In preparing the financial statements for the year ended 31 March 2014 the Directors reviewed a valuation model which was prepared on a number of assumptions. A key assumption was the forecast rate of uptake of customers connecting to the fibre broadband network. They provided a sensitivity analysis to indicate the potential impact on the enterprise value of the business based on variances in the assumed uptake of connections.

In the year ended 31 March 2015 the rate of customer uptake is in line with that modelled for the 2015 year in the 2014 forecasts. However, as the Directors have gained additional insights into this new industry it is clear that the estimation of the fair value of a fibre broadband network is complex and a number of assumptions are significant to the valuation of which 'customer uptake' is only one. Accordingly, the Directors have not included a sensitivity analysis in the 2015 financial statements as it is impracticable to disclose the extent of the possible effects of assumptions at 31 March 2015.

The investment in Ultrafast Fibre Limited continues to be carried at cost. The Directors continue to consider cost to be an appropriate carrying value. As at balance date there are no indications of impairment, however, given the long term nature of the investment, it is reasonably possible, on the basis of existing knowledge, that future outcomes are different from those assumed and could require a material adjustment to the carrying value of the investment in Ultrafast Fibre Limited.

	Note	**Group 2015 ($000)**	Group 2014 ($000)	**Parent 2015 ($000)**	Parent 2014 ($000)
4. Revenue					
Gross line revenues		**114,525**	109,115	**114,525**	109,115
Discount		**(18,947)**	(19,317)	**(18,947)**	(19,317)
Net line revenues		**95,578**	89,798	**95,578**	89,798
Third party contributions		**4,984**	6,478	**4,984**	6,478
Contracting revenue		**88,333**	63,638	**1,323**	1,149
Operating lease revenue		**2,743**	2,717	**2,743**	2,717
Interest on investments		**87**	49	**3,709**	1,622
Other income		**3,263**	3,210	**1,742**	2,109
Total revenue		**194,988**	165,890	**110,079**	103,873

Operating lease revenue is recognised in relation to a lease agreement with an electricity generation company. The agreement has been deemed an operating lease and all revenue under the contract is accounted for as lease revenue. The contract expires in November 2035. The future minimum payments under the term of the contract are variable in nature and therefore not able to be quantified.

5. Other net gains/(losses)

Amortisation of deferred income on Government grants	**31**	31	**31**	31
	31	31	**31**	31

	Note	Group 2015 ($000)	Group 2014 ($000)	Parent 2015 ($000)	Parent 2014 ($000)
6. Operating expenses					
Transmission costs		**31,297**	27,166	**31,297**	27,166
Wages and salaries		**11,534**	9,726	**8,489**	7,581
Materials and services		**7,352**	8,218	**7,352**	8,218
Contracting cost of sales		**84,353**	61,611	**1,029**	1,106
Depreciation of property, plant and equipment					
Buildings		**148**	148	**148**	148
Plant and equipment		**3,527**	2,970	**3,424**	2,849
Distribution network		**17,853**	17,961	**17,852**	17,961
Land fill generation		**-**	-	**-**	-
Total depreciation		**21,528**	21,079	**21,424**	20,958
Amortisation expense		**2,901**	2,381	**1,969**	2,062
Directors' fees		**299**	291	**299**	291
Net loss on disposal of property, plant and equipment		**3,638**	2,789	**2,662**	2,789
Impairment on property, plant and equipment	9	**-**	-	**-**	-
Research and development		**3**	98	**1**	98
Bad debts written off		**5**	96	**5**	96
Change in provision for impaired receivables		**112**	-	**112**	-
Rental and operating lease payments		**268**	219	**238**	219
Other expenses		**3,276**	3,539	**2,376**	2,896
Remuneration of Auditors					
Auditing the financial statements		**124**	143	**91**	106
Half year review		**21**	22	**21**	22
Assurance procedures on disclosure information		**33**	49	**33**	49
Total audit and review services		**178**	214	**145**	177
Tax advice		**92**	10	**59**	10
Other advisory services		**-**	85	**-**	12
Total other services		**92**	95	**59**	22
Total Remuneration		**270**	309	**204**	199
PricewaterhouseCoopers were the only auditors employed during the year. Other advisory services comprise advice on funding options and review of models to support the ultrafast broadband project.					
Total operating expenses		**166,837**	137,522	**77,457**	73,679
Wages and salaries capitalised to property, plant and equipment		**9,829**	8,597	**9,829**	8,597

7. Finance costs

	Group 2015 ($000)	Group 2014 ($000)	Parent 2015 ($000)	Parent 2014 ($000)
Interest expense				
Bank borrowings	**6,697**	3,334	**6,057**	3,116
Less capitalised on construction of property, plant and equipment	**(631)**	(169)	**(631)**	(169)
Less capitalised on construction contracts	**(1,774)**	(1,024)	**-**	-
Less capitalised on construction of intangible assets	**(24)**	(4)	**(24)**	(4)
	4,268	2,137	**5,402**	2,943

	Note	Group 2015 ($000)	Group 2014 ($000)	Parent 2015 ($000)	Group 2014 ($000)
8. Income tax expense					
Current tax		**2,695**	4,960	**5,029**	4,857
Deferred tax		**3,115**	1,386	**1,715**	1,775
		5,810	6,346	**6,744**	6,632

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated companies as follows:

Net profit before tax	**18,735**	23,725	**27,251**	27,282
Tax calculated at 28%	**5,246**	6,643	**7,630**	7,639
Tax effects of:				
Income not subject to tax	**-**	(8)	**(4)**	(8)
Expenses not deductible for tax purposes	**70**	89	**73**	89
Convertible note interest	**(874)**	(874)	**(874)**	(874)
Share of loss of joint venture	**1,450**	710	**-**	-
Adjustments in respect of prior years	**(82)**	(214)	**(81)**	(214)
Income tax expense	**5,810**	6,346	**6,744**	6,632

The weighted average effective tax rate was 31% (2014: 28%).

9. Property, plant and equipment	**Land and buildings ($000)**	**Distribution network ($000)**	**Plant and equipment ($000)**	**Generation assets ($000)**	**Total ($000)**
Group					
Year ended 31 March 2014					
Opening net book amount	12,155	470,437	18,042	1	500,635
Revaluation surplus/(deficit)	-	-	-	-	-
Additions	2	35,895	11,787	-	47,684
Work in progress	-	4,215	68	-	4,283
Disposals	-	(5,687)	(491)	(1)	(6,179)
Impairment	-	-	-	-	-
Depreciation charge	(148)	(17,960)	(2,971)	-	(21,079)
Closing net book amount	**12,009**	**486,900**	**26,435**	**-**	**525,344**
At 31 March 2014					
Cost or valuation	12,231	504,684	35,812	-	552,727
Accumulated depreciation	(222)	(17,784)	(9,377)	-	(27,383)
Net book amount	12,009	486,900	26,435	-	525,344
Capital work in progress included in cost and net book amount	-	24,796	71	-	24,867

9. Property, plant and equipment (continued)

	Land and buildings ($000)	Distribution network ($000)	Plant and equipment ($000)	Generation assets ($000)	Total ($000)
Year ended 31 March 2015					
Opening net book amount	12,009	486,900	26,435	-	525,344
Revaluation surplus/(deficit)	-	-	-	-	-
Additions	5	43,878	7,184	-	51,067
Work in progress	-	191	5,585	-	5,776
Disposals	-	(2,567)	(511)	-	(3,078)
Depreciation charge	(148)	(17,852)	(3,528)	-	(21,528)
Closing net book amount	**11,866**	**510,550**	**35,165**	**-**	**557,581**
At 31 March 2015					
Cost or valuation	12,236	545,948	47,370	-	605,554
Accumulated depreciation	(370)	(35,398)	(12,205)	-	(47,973)
Net book amount	**11,866**	**510,550**	**35,165**	**-**	**557,581**
Capital work in progress included in cost and net book amount	**-**	**24,987**	**5,656**	**-**	**30,643**

Additions of distribution system cost includes $631,000 (2014: $169,000) of interest capitalised at an average borrowing rate of 4.92%. (2014: 4.05%)

Revaluations and impairment review

Land was revalued to market value for highest and best use on 31 March 2013 by independent valuers, Telfer Young (Waikato) Ltd Registered Valuers. Buildings are recorded at purchase price following the acquisition in October 2012.

The company's electricity distribution network was revalued as at 31 March 2013 to fair value by Deloitte. The fair values were established in accordance with NZ IAS 16 - Property, Plant and Equipment and subsequent years IFRS 13 Fair Value Measurement. The valuation was prepared using discounted cash flow methodology. This valuation was reviewed by Deloitte at 31 March 2015 to ensure it still represented fair value.

The key assumptions used in the valuation as at 31 March 2013 include forecasts of future demand for electricity distribution services, electricity distribution prices, operating and capital expenditure associated with existing assets, and the discount rate.

Assumptions	**Valuation assumptions adopted**	**Low**	**High**	**Valuation Impact ($000)**
Domestic Load Growth	0.5%	0.0%	1.0%	- $44m + $46m
Capital expenditure	$189m	90.0%	110.0%	-/+ $40m
WACC (with CPI inflation 2.25%)	7.08%	6.62%	7.54%	+$53m - $45m
CPI Inflation (with WACC 7.08%)	2.25%	1.75%	2.75%	+$23m - $21m
Terminal growth	2.00%	1.75%	2.25%	+$37m - $31m

If property, plant and equipment were stated on the historical cost basis, the amounts would be as follows:

	Land and buildings ($000)	Distribution network ($000)	Plant and equipment ($000)	Generation assets ($000)	Total ($000)
Cost	10,013	439,625	35,812	-	485,450
Accumulated depreciation	(222)	(156,668)	(9,377)	-	(166,267)
Net book amount at 31 March 2014	9,791	282,957	26,435	-	319,183
Cost	10,020	480,509	47,370	-	537,899
Accumulated depreciation	(370)	(163,144)	(12,205)	-	(175,719)
Net book amount at 31 March 2015	**9,650**	**317,365**	**35,165**	**-**	**362,180**

9. Property, plant and equipment (continued)

	Land and buildings ($000)	Distribution network ($000)	Plant and equipment ($000)	Generation assets ($000)	Total ($000)
Parent					
Year ended 31 March 2014					
Opening net book amount	12,155	470,438	17,655	1	500,249
Additions	2	35,895	11,604	-	47,501
Work in progress	-	4,215	68	-	4,283
Disposals	-	(5,687)	(456)	(1)	(6,144)
Depreciation charge	(148)	(17,961)	(2,849)	-	(20,958)
Closing net book amount	12,009	486,900	26,022	-	524,931
At 31 March 2014					
Cost or valuation	12,231	504,684	35,139	-	552,054
Accumulated depreciation	(222)	(17,784)	(9,117)	-	(27,123)
Net book amount	12,009	486,900	26,022	-	524,931
Capital work in progress included in cost and net book amount	-	24,796	71	-	24,867
Year ended 31 March 2015					
Opening net book amount	12,009	486,900	26,022	-	524,931
Additions	5	43,878	7,095	-	50,978
Work in progress	-	191	5,585	-	5,776
Disposals	-	(2,567)	(445)	-	(3,012)
Depreciation charge	(148)	(17,852)	(3,422)	-	(21,422)
Closing net book amount	**11,866**	**510,550**	**34,835**	**-**	**557,251**
At 31 March 2015					
Cost or valuation	12,236	545,948	46,745	-	604,929
Accumulated depreciation	(370)	(35,398)	(11,910)	-	(47,678)
Net book amount	**11,866**	**510,550**	**34,835**	**-**	**557,251**
Capital work in progress included in cost and net book amount	**-**	**24,987**	**5,656**	**-**	**30,643**

If property, plant and equipment were stated on the historical cost basis, the amounts would be as follows:

	Land and buildings ($000)	Distribution network ($000)	Plant and equipment ($000)	Generation assets ($000)	Total ($000)
Cost	10,013	439,625	35,139	-	484,777
Accumulated depreciation	(222)	(156,668)	(9,117)	-	(166,007)
Net book amount at 31 March 2014	9,791	282,957	26,022	-	318,770
Cost	10,020	480,509	46,745	-	537,274
Accumulated depreciation	(370)	(163,144)	(11,910)	-	(175,424)
Net book amount at 31 March 2015	**9,650**	**317,365**	**34,835**	**-**	**361,850**

Fair value measurement

The following table analyses the non-financial assets carried at fair value, by valuation method:

	FAIR VALUE MEASUREMENTS AT 31 MARCH 2015 USING		
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Recurring fair value measurements			
Land and buildings	4,563	7,303	-
Distribution network	-	-	504,684

Valuations are performed on at least a triennial period. There was no valuation performed at March 2015.

10. Intangible assets

	Software ($000)	Easements & Consents ($000)	Leasehold interest ($000)	Total ($000)
Group				
Year ended 31 March 2014				
Opening net book amount	5,542	4,641	107	10,290
Additions	2,598	397	-	2,995
Work in progress	2,120	51	-	2,171
Amortisation expense	(2,151)	(230)	-	(2,381)
Closing net book amount	**8,109**	**4,859**	**107**	**13,075**
At 31 March 2014				
Cost or valuation	19,734	6,760	107	26,601
Accumulated amortisation	(11,625)	(1,901)	-	(13,526)
Net book amount	8,109	4,859	107	13,075
Capital work in progress included in cost and net book amount	2,481	55	-	2,536
Year ended 31 March 2015				
Opening net book amount	8,109	4,859	107	13,075
Additions	4,266	281	-	4,547
Work in progress	(1,197)	28	-	(1,169)
Disposals	(1,917)	-	-	(1,917)
Amortisation expense	(2,737)	(164)	-	(2,901)
Closing net book amount	**6,524**	**5,004**	**107**	**11,635**
At 31 March 2015				
Cost or valuation	20,886	7,068	107	28,061
Accumulated amortisation	(14,362)	(2,064)	-	(16,426)
Net book amount	**6,524**	**5,004**	**107**	**11,635**
Capital work in progress included in cost and net book amount	**1,283**	**83**	**-**	**1,366**

During the month of July 2014 it was agreed that the disposal of the OSSBSS asset of $1.917 million would be shared between WNL and UFF with the maximum amount to be incurred by UFF being $0.95 million in return for B shares. This amount has been accrued in both companies.

	Software ($000)	Easements & Consents ($000)	Leasehold interest ($000)	Total ($000)
Parent				
Year ended 31 March 2014				
Opening net book amount	5,024	4,641	107	9,772
Additions	966	397	-	1,363
Work in progress	203	51	-	254
Amortisation expense	(1,832)	(230)	-	(2,062)
Closing net book amount	4,361	4,859	107	9,327
At 31 March 2014				
Cost or valuation	15,514	6,760	107	22,381
Accumulated amortisation	(11,153)	(1,901)	-	(13,054)
Net book amount	4,361	4,859	107	9,327
Capital work in progress included in cost and net book amount	564	55	-	619
Year ended 31 March 2015				
Opening net book amount	4,361	4,859	107	9,327
Additions	1,794	281	-	2,075
Work in progress	720	28	-	748
Amortisation expense	(1,805)	(164)	-	(1,969)
Closing net book amount	**5,070**	**5,004**	**107**	**10,181**
At 31 March 2015				
Cost or valuation	18,028	7,068	107	25,203
Accumulated amortisation	(12,958)	(2,064)	-	(15,022)
Net book amount	**5,070**	**5,004**	**107**	**10,181**
Capital work in progress included in cost and net book amount	**1,283**	**83**	**-**	**1,366**

Leasehold Interest was revalued to market value on 31 March 2013 by independent valuers, Telfer Young (Waikato) Ltd Registered Valuers.

	Group 2015 ($000)	Group 2014 ($000)	**Parent 2015 ($000)**	Parent 2014 ($000)
11. Trade and other receivables				
Trade receivables	**11,286**	9,700	**11,065**	9,751
Trade receivables - related parties	**7,199**	2,007	**141**	141
Less: provision for impairment of receivables	**(447)**	(335)	**(447)**	(335)
Trade receivables - net	**18,038**	11,372	**10,759**	9,557
Amounts due from customer for contract work	**286**	641	**198**	350
Prepayments	**860**	942	**757**	891
	19,184	12,955	**11,714**	10,798
Current	**18,851**	12,626	**11,381**	10,469
Non current	**333**	329	**333**	329
	19,184	12,955	**11,714**	10,798

11. Trade and other receivables (continued)

(a) Impaired receivables

As at 31 March 2015 trade receivables of $1.3 million (2014: $1.0 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The aging analysis of these trade receivables is as follows:

	Group 2015 ($000)	Group 2014 ($000)	**Parent 2015 ($000)**	Parent 2014 ($000)
Less than three months	**457**	296	**457**	296
Three to six months	**81**	408	**81**	408
Over six months	**738**	310	**738**	310
	1,276	1,014	**1,276**	1,014

As at 31 March 2015 trade receivables of $447,000 were impaired and provided for (2014: $335,000). The individually impaired receivables mainly relate to damage to the network caused by third parties. The impairment includes $223,000 (2014: $210,000) in relation to discounting future cash flows of these receivables. The aging analysis of these trade receivables is as follows:

Less than three months	**1**	32	**1**	32
Three to six months	**125**	175	**125**	175
Over six months	**321**	128	**321**	128
	447	335	**447**	335

Movements in the provision for impairment of receivables are				
Opening balance 1 April 2014	**335**	303	**335**	303
Movement in provision for impairment recognised during the year	**117**	96	**117**	96
Receivables written off during the year as uncollectible	**(5)**	(64)	**(5)**	(64)
Closing balance 31 March 2015	**447**	335	**447**	335

The creation and release of the provision for impaired receivables has been included in 'other expenses' in the income statement. Amounts charged to the provision for impairment of receivables account are generally written off when there is no expectation of recovering additional cash.

The other classes within trade and other receivables do not contain impaired assets and are not past due. Based on the credit history of these other classes, it is expected that these amounts will be received when due.

(b) Foreign exchange and interest rate risk

The Group is not exposed to foreign currency risk or interest rate risk in relation to trade and other receivables. A summarised analysis of the sensitivity of trade and other receivables to foreign exchange and interest rate risk can be found in note 30.

(c) Fair value and credit risk

Due to the short-term nature of these receivables, their carrying value is assumed to approximate their fair value.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above. The Group does not hold any collateral as security. Refer to note 30 – Financial risk management for more information on the risk management policy of the Group.

12. Construction work in progress	**Group 2015 ($000)**	Group 2014 ($000)	**Parent 2015 ($000)**	Parent 2014 ($000)
Amounts expected to be recovered within 12 months	**34,905**	30,164	**-**	-
Amounts expected to be recovered after more than 12 months	**1,164**	850	**-**	-
Net Amount due from customers	**36,069**	31,014	**-**	-
Analysed as				
Contract costs incurred	**232,323**	150,762	**-**	-
Less: progress billings	**(196,254)**	(119,748)	**-**	-
Contracts in place at balance sheet date	**36,069**	31,014	**-**	-
Revenue from construction contracts	**76,506**	55,635	**-**	-

13. Investment in joint venture	**Group 2015 ($000)**	Group 2014 ($000)	**Parent 2015 ($000)**	Parent 2014 ($000)
Opening carrying value	**28,381**	6,563	**-**	-
Acquisition of shares at cost	**39,439**	24,355	**-**	-
	67,820	30,918	**-**	**-**
(Loss) / gain on deemed disposal of share in joint venture	**(2,246)**	(1,139)	**-**	-
Share of loss in joint venture	**(2,933)**	(1,398)	**-**	-
Closing carrying value	**62,641**	28,381	**-**	-

The share of the results of its joint ventures, all of which are unlisted, and its aggregated assets and liabilities, are as follows:

Nature of investment in joint venture 2015 and 2014

Name of entity	**Place of Business / Country of Incorporation**	**% Ownership Interest**	**Nature of Relationship**	**Measurement Method**
Ultrafast Fibre Limited	New Zealand	33%	Ultrafast Broadband wholesaler	Equity

Ultrafast Fibre Limited	**2015 ($000)**	2014 ($000)
Current assets	**5,762**	2,445
Non-current assets	**193,835**	119,894
Total assets	**199,597**	122,339
Current liabilities	**9,021**	1,949
Total liabilities	**9,021**	1,949
Revenue	**7,728**	3,172
Expenses	**(22,979)**	(14,628)
Profit/(Loss)	**(10,990)**	(8,263)
% Interest Held	**33%**	24%

(b) Reconciliation of summarised information

Ultrafast Fibre Limited	**2015 ($000)**	2014 ($000)
Opening net assets at 1 April	**120,284**	65,447
Loss for the period	**(10,990)**	(8,263)
Shares issued during the year	**81,282**	63,100
Closing net assets at 31 March	**190,576**	120,284
Interest in joint venture (33%; 23.8%)	**62,641**	28,382
Carrying value	**62,641**	28,382

13. Investment in joint venture (continued)

Ultrafast Fibre Limited is incorporated in New Zealand, and has a financial year end of 30 June.

A Shares in Ultrafast Fibre Limited are issued to Crown Fibre Holdings Limited as payment for each premise passed. When the premise connects to the fibre network Waikato Networks Limited is required to purchase the A shares from Crown Fibre Holdings Limited. The cost of connecting a premise to the fibre network is incurred by Waikato Networks Limited, who then sell the assets to Ultrafast Fibre Limited, in return for B shares or cash in accordance with the contract. In addition Waikato Networks Limited also receive B shares in Ultrafast Fibre Limited as consideration for working capital and for expenditure on communal fibre optic network infrastructure (Layer 2). The value of the consideration for A shares and B shares (with the exception of working capital) is determined by the Shareholders' Agreement, Schedule 2. The percentage interest held is determined by the number of shares, divided by the total number of all classes of shares issued.

Under the Deed of Amendment signed on the 31 July 2014, Clause 8 of the Shareholders Agreement is suspended for the period from the date of the variation to the end of the concession period. The effect of this variation is to suspend the obligation to purchase the A shares for the year ended 30 June 2015 and 30 June 2016 and to limit the obligation to purchase A shares to $10 million in the year to 30 June 2017, $15 million in the year to 30 June 2018 and $20 million in the year to 30 June 2019. Waikato Networks Limited are not required to purchase A shares from Crown Fibre Holdings during the suspension period except for the committed A shares however they can elect to exercise their rights under clause 8 of the Shareholders Agreement and purchase additional A shares in respect of the number of End Users connected and receiving services during that period. For any A shares that WNL has not acquired from CFH during the suspension period these shares convert to ordinary shares and continue to be held by CFH.

Due to the frequent share issues as noted above this causes changes in the percentage of ownership held in Ultrafast Fibre Limited. These changes are accounted for as acquisitions of shares and deemed disposals of investment.

14. Derivative financial instruments

The company and group had the following derivative financial instruments at year end as follows.

	2015		2014	
	Assets ($000)	**Liabilities ($000)**	Assets ($000)	Liabilities ($000)
Group and Parent				
USD foreign exchange contracts	-	-	-	367
Total	-	-	-	**367**
Less non-current portion				
Interest rate swaps - cashflow hedges	-	1,805	-	-
Total Derivatives	-	**1,805**	-	-

The notional principal amounts of the outstanding interest rate swap contracts at 31 December 2015 were $100 million (2014: nil). At 31 March 2015, the fixed interest rates vary from 3.89% to 4.1% (2014: nil), and the floating rate is NZD-BBR. Gains and losses recognised in the hedging reserve in equity (note 29) on interest rate swap contracts as of 31 March 2015 will be continuously released to the income statement within finance cost until the repayment of the bank borrowings (note 30).

The notional principal amounts of the outstanding forward foreign exchange contracts at 31 March 2015 were nil (2014: (367,000)). As foreign exchange rates change these derivative financial instruments are revalued to fair value and the change in value recorded in the statement of changes in equity. Fair value is determined in accordance with the Group policy in 2.4.

15. Cash and cash equivalents

(a) Cash on hand and bank deposit balances at call

There were no deposits during the year.

(b) Fair value

The carrying amount for cash and cash equivalents equals the fair value.

		Group 2015 ($000)	Group 2014 ($000)	**Parent 2015 ($000)**	Parent 2014 ($000)
16. Share capital	**No. of Shares**				
Authorised issued and fully paid ordinary shares. The shares have no par value.					
Balance at 1 April	**8,153,000**	**111,142**	111,142	**111,142**	111,142
Shares issued during the year	**-**	**-**	-	**-**	-
Closing balance at 31 March	**8,153,000**	**111,142**	111,142	**111,142**	111,142

All ordinary shares carry equal voting rights.

17. Convertible notes

17. Convertible notes	Group 2015 ($000)	Group 2014 ($000)	Parent 2015 ($000)	Parent 2014 ($000)
Convertible notes	**39,000**	39,000	**39,000**	39,000
Total Convertible notes	**39,000**	39,000	**39,000**	39,000

18. Borrowings

	Group 2015 ($000)	Group 2014 ($000)	Parent 2015 ($000)	Parent 2014 ($000)
Current				
Bank borrowings	**-**	89,800	**-**	89,800
Non-current				
Bank borrowings	**137,266**	-	**137,266**	-
Total borrowings	**137,266**	89,800	**137,266**	89,800

Borrowings relate to a revolving cash advance facility with a final maturity date 27 March 2020. A facility fee rate is charged and the drawn balance is charged interest at a variable interest rate from 3.5% to 3.75% (2014: 3.5%-3.75%). The Group was in compliance with covenants in the year.

19. Deferred income tax

	Accelerated tax depreciation ($000)	Revaluation of property, plant and equipment ($000)	Provisions and other ($000)	Total ($000)
Group				
Deferred tax liabilities				
At 1 April 2013	7,459	63,113	2,461	73,033
Charged to the income statement	1,311	-	75	1,386
Charged to equity - revaluation	-	(598)	-	(598)
At 31 March 2014	8,770	62,515	2,536	73,821
Charged to the income statement	3,134	-	(19)	3,115
Charged to equity - revaluation	-	(543)	-	(543)
Charged to equity - derivative	-	-	(505)	(505)
At 31 March 2015	**11,904**	**61,972**	**2,012**	**75,888**

	Accelerated tax depreciation ($000)	Revaluation of property, plant and equipment ($000)	Provisions and other ($000)	Total ($000)
Parent				
Deferred tax liabilities				
At 1 April 2013	7,416	63,113	2,461	72,990
Charged to the income statement	1,700	-	75	1,775
Charged to equity - revaluation	-	(598)	-	(598)
At 31 March 2014	9,116	62,515	2,536	74,167
Charged to the income statement	2,653	-	(19)	2,634
Benefit of tax losses transferred from Waikato Networks Limited	(919)	-	-	(919)
Charged to equity - revaluation	-	(543)	-	(543)
Charged to equity - derivative	-	-	(505)	(505)
At 31 March 2015	**10,850**	**61,972**	**2,012**	**74,834**

	Group 2015 ($000)	Group 2014 ($000)	Parent 2015 ($000)	Parent 2014 ($000)
20. Deferred income				
Deferred income on government grants	**1,041**	1,072	**1,041**	1,072
Receipts in advance	**196**	251	**-**	-
	1,237	1,323	**1,041**	1,072
21. Trade and other payables				
Trade creditors and accruals	**21,722**	15,927	**15,519**	13,486
Trade creditors and accruals - related parties	**225**	200	**-**	4
Advances received for contract work	**914**	1,369	**914**	1,369
Other accruals	**1,543**	1,426	**1,408**	1,327
Balance at 31 March	**24,404**	18,922	**17,841**	16,186

22. Provisions

	Retirement provision ($000)	Other provisions ($000)
Carrying amount at 1 April 2013	546	406
Charged to the income statement	54	(195)
Amounts used	-	-
At 31 March 2014	600	211
Charged to the income statement	77	(211)
Amounts used	-	-
Carrying amount at 31 March 2015	**677**	**-**

	Group 2015 ($000)	Group 2014 ($000)	Parent 2015 ($000)	Parent 2014 ($000)
Current	**87**	143	**87**	143
Non-current	**590**	668	**590**	668
	677	811	**677**	811

The retirement provision relates to contracted gratuity payments for employees with employment contracts established before 1996. The gratuity payments become payable when the employee retires.

	Parent 2015 ($000)	Parent 2014 ($000)
23. Imputation credit memorandum account		
Balance at the end of the year	**26,104**	21,218

24. Contingencies
There are no contingent liabilities as at 31 March 2015 (2014 Nil).

	Group 2015 ($000)	Group 2014 ($000)	Parent 2015 ($000)	Parent 2014 ($000)

25. Commitments

Capital expenditure

Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	Group 2015 ($000)	Group 2014 ($000)	Parent 2015 ($000)	Parent 2014 ($000)
Property, plant and equipment	**319**	9,946	**319**	9,946
Intangible assets	**37**	36	**37**	36
	356	9,982	**356**	9,982

Installation of the Waikato smart network project is nearing completion with almost all advanced meters now installed.

Operating lease commitments

The Group leases land, premises and vehicles. Operating leases held over properties give the Group the right to renew the lease subject to a predetermination of the lease rental by the lessor. There are no options to purchase in respect of land and premises held under operating leases.

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

	Group 2015 ($000)	Group 2014 ($000)	Parent 2015 ($000)	Parent 2014 ($000)
No later than one year	**1,003**	2,065	**597**	1,012
Later than one year and no later than two years	**851**	2,169	**369**	741
Later than two, not later than five years	**2,173**	2,642	**366**	514
Later than five years	**3,670**	4,573	**608**	707
	7,697	11,449	**1,940**	2,974

26. Investments in subsidiaries

	Group 2015 ($000)	Group 2014 ($000)	Parent 2015 ($000)	Parent 2014 ($000)
Shares at Cost	**-**	-	**-**	-
Net Advances to Subsidiaries	**-**	-	**96,753**	49,694
	-	-	**96,753**	49,694

The parent has 85 shares (85% of shares) in Waikato Networks Limited. The shares are fully paid.

Operating Subsidiaries	**Activity**	**Interest 2015**	Interest 2014
Waikato Networks Limited (formerly Ultrafast Fibre Limited).	Construction of fibre network	**85%**	85%

Non Operating Subsidiaries

WEL Electricity Limited

WEL Power Limited

WEL Energy Group Limited (formerly WEL Networks Limited)

Waikato Electricity Limited

WEL Generation Limited

All subsidiaries have balance dates of 31 March and are incorporated in New Zealand. The parent company has a 100% direct interest in all subsidiaries except as noted above.

27. Related-party transactions

(a) Directors

The names of persons who were directors of the company at any time during the financial year are as follows: M P Devlin, M X Franklin, P D McGilvary and A V Steele plus B S Harris and D R Wright who were appointed in October 2014 and J L Spencer and Hon R W Prebble who both retired in September 2014. All of these persons were also directors during the year ended 31 March 2014, except for B S Harris and D R Wright who were appointed in October 2014.

(b) Compensation of directors and key management and personnel

The directors and key management personnel compensation for the years ended 31 March 2015 and 31 March 2014 is set out below. The directors and the five executives profiled in this report have the greatest authority for the strategic direction and management of the company.

	Short-term benefits ($000)	Post-employment benefits ($000)	Other long-term benefits ($000)	Termination benefits ($000)	Total ($000)
Year ended 31 March 2015	**1,587**	**39**	**(211)**	**30**	**1,444**
Year ended 31 March 2014	2,492	57	(194)	35	2,390

27. Related-party transactions (continued)

(c) Other transactions with directors and key management personnel or entities related to them
The company undertakes transactions with entities in which directors have disclosed an interest in the normal course of business. The following represents the major on-going transaction types but should not be taken as a complete list: lease, consent, easement, construction and advisory services.

(d) Subsidiaries
Interests in subsidiaries are set out in note 26.

(e) Transactions with related parties
The ultimate parent of WEL Networks Limited is the WEL Energy Trust which owns 100% of its shares.

All members of the Group are considered related parties of WEL Networks Limited. This includes the subsidiaries and associated companies listed in note 26.

Other than the payment of directors fees (refer note 6) the Group has not entered into any transactions with Directors.

No related party debts were forgiven or written off during 2015 or 2014.

	Group 2015 ($000)	Group 2014 ($000)	**Parent 2015 ($000)**	Parent 2014 ($000)
Related party transactions with WEL Energy Trust				
Other income	**60**	178	**60**	178
Sales to related parties	**60**	178	**60**	178
Convertible notes - equity (note 17)	**39,000**	39,000	**39,000**	39,000
Interest on convertible note	**(3,120)**	(3,120)	**(3,120)**	(3,120)

No dividends have been paid during the year (2014: $10.0 million).

Related party transactions with Ultrafast Fibre Ltd
Waikato Networks Limited is a construction company that is building a fibre network for Ultrafast Fibre Limited.
Waikato Networks Limited owns 33% (2014:24%) of Ultrafast Fibre Limited shares.

	Group 2015 ($000)	Group 2014 ($000)	**Parent 2015 ($000)**	Parent 2014 ($000)
Sale of fibre Assets	**76,947**	55,761	**-**	-
Huawei Layer 2 Services and Service Desk	**5,698**	4,491	**-**	-
Support services	**3,866**	1,959	**-**	-
Management fees	**1,245**	966	**-**	-
Fibre access services on Velocity network	**707**	994	**-**	-
Sales to related parties	**88,463**	64,171	**-**	-
Fibre access services	**-**	60	**-**	-
Fibre access services on Velocity network	**1,074**	1,246	**-**	-
Payments to related parties	**1,074**	1,306	**-**	-
Trade receivables	**7,058**	1,867	**-**	-
Trade payables	**225**	196	**-**	-

At the 31st of March 2015 UFF owed $7.058 million to WNL. Included in this is $3.9 million accrued connection assets which were transacted during the month of April 2015.

No dividends were paid 2015 (2014: Nil).

27. Related-party transactions (continued)

Related party transactions with Waikato Networks Ltd

The ultimate parent of Waikato Networks Limited is WEL Networks Limited which owns 85% of its shares.

	Group 2015 ($000)	Group 2014 ($000)	**Parent 2015 ($000)**	Parent 2014 ($000)
Management Fee	**-**	-	**2,476**	2,616
Compliance work	**-**	-	**113**	134
Pole make ready and lease costs	**-**	-	**50**	189
Interest	**-**	-	**3,622**	1,573
Income from related parties	**-**	-	**6,261**	4,512
Trade receivables	**-**	-	**-**	-
Net advances to subsidiaries	**-**	-	**96,753**	49,694
Intercompany current account	**-**	-	**809**	(8,554)

Net advances to subsidiares are loans that are interest bearing repayable on call. Interest is charged at a rate equal to the Parent's average finance expense. The outstanding balance includes interest and advances receivable. The advances are unsecured and have no repayment terms and conditions. The loans are used to fund the investment in Ultrafast Fibre Limited.

A transfer of tax losses from Waikato Networks Limited to WEL Networks of $919,000 was made during the year, refer to note 19.

Related party transactions with Waipa Networks Limited

Waipa Networks Limited owns 15% of Waikato Networks Limited shares.

Interest expense	**640**	248	**-**	-
Pole make ready and lease costs	**25**	65	**-**	-
Payments to related parties	**665**	313	**-**	-
Loan from non-controlling interest	**17,075**	8,770	**-**	-
Trade receivables	**12**	12	**12**	12
Trade payables	**-**	4	**-**	4

Net advances to subsidiares are loans that are interest bearing repayable on call. Interest is charged at a rate equal to the WEL Parent's average finance expense. The outstanding balance includes interest and advances receivable. The advances are unsecured and have no repayment terms and conditions. The loans are used to fund the investment in Ultrafast Fibre Limited.

Related party transactions with Smartco Limited

WEL Networks Limited owns 15% of SmartCo Limited. SmartCo Limited is a joint venture company which has been set up to contract with supplier and electricity retailers to rollout advanced electronic meters across SmartCo shareholder networks.

Other income	**25**	-	**25**	
Income from related parties	**25**	-	**25**	-
Other expenses	**162**	32	**162**	32
Payments to related parties	**162**	32	**162**	32
Purchase of plant and equipment	**541**	258	**541**	258
Trade receivables	**129**	129	**129**	129

Long Term Incentive Scheme

The LTI has been cancelled.	**-**	211	**-**	211

28. Dividends on ordinary shares

Group and Parent

	2015 Cents per share	2014 **Cents per share**	**2015 ($000)**	2014 **($000)**
Dividend paid	**-**	1.23	**-**	10,000
	-	1.23	**-**	10,000

29. Reserves

	Revaluation reserve ($000)	Cash flow hedge reserve ($000)	Total Reserves ($000)
Group			
Balance at 1 April 2013	162,917	(130)	162,787
Cash flow hedge (net of tax)	-	(237)	(237)
Fair value gains/(losses):			
- distribution network	(2,136)	-	(2,136)
Movement in deferred tax on revaluation	598	-	598
Balance at 31 March 2014	161,379	(367)	161,012
Balance at 1 April 2014	161,379	(367)	161,012
Cash flow hedge (net of tax)	-	(933)	(933)
Fair value gains/(losses):			
- distribution network	(1,940)	-	(1,940)
Movement in deferred tax on revaluation	543	-	543
Balance at 31 March 2015	**159,982**	**(1,300)**	**158,682**

	Revaluation reserve ($000)	Cash flow hedge reserve ($000)	Total Reserves ($000)
Parent			
Balance at 1 April 2013	160,809	(130)	160,679
Cash flow hedge (net of tax)	-	(237)	(237)
Fair value gains/(losses):			
- distribution network	(2,136)	-	(2,136)
Movement in deferred tax on revaluation	598	-	598
Balance at 31 March 2014	159,271	(367)	158,904
Balance at 1 April 2014	159,271	(367)	158,904
Cash flow hedge (net of tax)	-	(933)	(933)
Fair value gains/(losses):			
- distribution network	(1,940)	-	(1,940)
Movement in deferred tax on revaluation	543	-	543
Balance at 31 March 2015	**157,874**	**(1,300)**	**156,574**

30. Financial and regulatory risk management

30.1 Financial risk factors

The Group's activities expose it to a variety of financial and regulatory risks. Financial risks include market risk (including foreign exchange risk, interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

The Group's overall financial risk management objectives are to ensure that the Group creates value and maximises returns to its Shareholders as well as ensuring that adequate financial resources are available for the development of the Group's businesses whilst managing its financial risks. It is, and has been throughout the financial year under review, the Group's policy that no trading in derivative financial instruments shall be undertaken. The major areas of the financial risks faced by the Group and the information on the management of the related exposures are detailed below:

(a) Market Risk

(i) Foreign Exchange Risk

From time to time, the company is exposed to foreign currency risk on transactions denominated in foreign currencies. This is predominantly for the purchase of network equipment in foreign currency.

Exchange rate sensitivity

In 2014 the Group and Parent have foreign currency exposures relating to external creditors.

The following sensitivity analysis is based on the foreign currency risk exposures in existence at year end. At 31 March, had the New Zealand dollar exchange rate changed, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

	Post Tax Profit (Lower) ($000)	Equity Higher (Lower) ($000)
Group and Parent		
Sensitivity to reasonable movements		
Change in United States dollar exchange rate		
As at 31 March 2015		
There are no USD hedged currency for capital purchases	-	-
As at 31 March 2014		
USD hedged currency for capital purchases	5,884	5,884
10% increase	-	(535)
10% decrease	-	654

(ii) Interest Rate Risk

The Group currently holds fixed rate cover for 60% of core debt in accordance with Group policy for long term funding plans. The Group's exposure to the risk of changes in the market interest rates relates primarily to the unhedged Group's short-term debt obligations with floating interest rates and the Group's short-term investment rates.

The Group's policy to manage interest rate risk is to fund ongoing activities with short-term borrowings funded at floating interest rates. Borrowings are drawn to fund ongoing operations and capital expenditure programmes.

The other financial instruments of the Group are not subject to interest rate risk.

Financial risk management (continued)

The following table summarises the sensitivity of the Group's financial assets and financial liabilities to interest rate risk.

		INTEREST RATE RISK	
		+ 1%	- 1 %
	Carrying amounts ($000)	Effect on profit before tax and equity ($000)	Effect on profit before tax and equity ($000)
Group			
As at 31 March 2015			
Financial assets			
Trade and other receivables	**18,325**	**-**	**-**
Financial liabilities			
Borrowings	**137,266**	**(623)**	**623**
Cash and cash equivalents	**2,961**	**(30)**	**30**
Trade and other payables	**23,490**	**-**	**-**
Customer discount payable	**19,100**	**-**	**-**
Derivative financial instruments	**1,805**	**-**	**-**
Loan from non-controlling interest	**17,075**	**(171)**	**171**
Total (decrease) / increase		**(824)**	**824**
As at 31 March 2014			
Financial assets			
Trade and other receivables	12,013	-	-
Cash and cash equivalents	1,883	19	(19)
Financial liabilities			
Borrowings	89,800	(898)	898
Trade and other payables	17,553	-	-
Customer discount payable	19,365	-	-
Derivative financial instruments	367	-	-
Loan from non-controlling interest	8,770	(88)	88
Total (decrease) / increase		**(967)**	**967**

Financial risk management (continued)

	Carrying amounts ($000)	INTEREST RATE RISK + 1% Effect on profit before tax and equity ($000)	- 1 % Effect on profit before tax and equity ($000)
Parent			
As at 31 March 2015			
Financial assets			
Trade and other receivables	**10,957**	**-**	**-**
Financial liabilities			
Borrowings	**137,266**	**(623)**	**623**
Cash and cash equivalents	**3,065**	**(31)**	**31**
Trade and other payables	**16,927**	**-**	**-**
Customer discount payable	**19,100**	**-**	**-**
Derivative financial instruments	**1,805**	**-**	**-**
Loan from subsidiary company	**809**	**-**	**-**
Total increase / (decrease)		**(654)**	**654**
As at 31 March 2014			
Financial assets			
Trade and other receivables	9,907	-	-
Cash and cash equivalents	1,704	17	(17)
Loan to subsidiary company	8,554	-	-
Financial liabilities			
Borrowings	89,800	(898)	898
Trade and other payables	14,816	-	-
Customer discount payable	19,365	-	-
Derivative financial instruments	367	-	-
Total (decrease) / increase		(881)	881

(b) Credit Risk

Credit risk is the potential risk of financial loss arising from the failure of a customer or counter party to settle its financial and contractual obligations to the Group, as and when they fall due. The credit risk attributable to receivables is managed and monitored on an ongoing basis via Group's management reporting procedures and internal credit review procedures.

In the normal course of its business, the Group incurs credit risk from trade receivables from energy customers and transactions with financial institutions. A provision has been set up for trade receivables which are unlikely to be collected.

The Group has a credit policy which is used to manage this exposure to credit risk. As part of this policy, limits on exposures with counterparties have been set and are monitored on a regular basis.

The Group has in excess of 33% (2014: 38%) of its trade debtors owing from the incumbent retailer, Genesis Energy Limited. This debt is subject to a written agreement that requires an investment grade credit rating to be maintained. If the credit rating falls below investment grade then a bond will be required as collateral.

The Group's historical experience in collection of trade receivables falls within the recorded allowances. Due to these factors, the Directors believe that no additional credit risk beyond amounts provided for doubtful debts is inherent in the Group's trade receivables.

Financial risk management (continued)

(b) Credit Risk continued

In respect of the fixed deposits, cash and bank balances placed with major financial institutions, the Directors believe that the possibility of non-performance by these financial institutions is remote on the basis of their financial strength.

Other than as mentioned above (in addition to those mentioned elsewhere in the financial statements), the Group has no significant concentration of credit risk on its financial assets. The maximum exposures to credit risk are represented by the carrying amounts of other financial assets in the balance sheets. Except for the financial guarantees given by the Group, the Group does not provide any other financial guarantees which would expose the Group or the Parent to credit risk.

(c) Liquidity Risk

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

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year ($000)	Between 1 and 5 years ($000)	Unspecified term ($000)
Group			
At 31 March 2015			
Borrowings	**-**	**137,266**	**-**
Cash and cash equivalents	**2,961**	**-**	**-**
Trade and other payables	**23,490**	**-**	**-**
Customer discount payable	**19,100**	**-**	**-**
Loan from non-controlling interest	**17,075**	**-**	**-**
Derivative financial instruments	**-**	**1,805**	**-**
	66,626	**139,071**	**-**
At 31 March 2014			
Borrowings	89,800	-	-
Trade and other payables	17,553	-	-
Customer discount payable	19,365	-	-
Loan from non-controlling interest	8,770	-	-
Derivative financial instruments	367	-	-
	135,855	-	-
Parent			
At 31 March 2015			
Borrowings	**-**	**137,266**	**-**
Cash and cash equivalents	**3,065**		
Trade and other payables	**16,927**	**-**	**-**
Customer discount payable	**19,100**	**-**	**-**
Derivative financial instruments	**-**	**1,805**	**-**
Loan from subsidiary company	**809**	**-**	**-**
	39,900	**139,071**	**-**
At 31 March 2014			
Borrowings	89,800	-	-
Trade and other payables	14,816	-	-
Customer discount payable	19,365	-	-
Derivative financial instruments	367		
	124,348	-	-

Financial risk management (continued)

30.2 Regulatory risk factors

The Group operates in a regulated environment in respect of both electricity distribution network pricing and fibre broadband pricing. There is an inherent risk that regulatory intervention may significantly alter the structure of these markets.

The likelihood and potential impact of any such change is unknown. The Group regularly reviews the relevant risk management policies and assesses whether there are any indicators of impairment as a result of actual or proposed regulatory change.

30.3 Capital Risk Management

The primary objective of the Group's capital management is to ensure that it maintains appropriate capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt,
borrowings and term liabilities less cash and cash equivalents. Total capital includes equity attributable to the equity holders of the Parent.

The gearing ratios are as follows:

	Group 2015 ($000)	Group 2014 ($000)
Borrowings	**137,266**	89,800
Plus / (less): cash and cash equivalents	**2,961**	(1,883)
Net debt/(cash and cash equivalents)	**140,227**	87,917
Equity	**407,583**	398,168
Capital and net debt	**547,809**	486,086
Gearing ratio	**26%**	18%

30.4 Fair Values

NZ IFRS 13 Fair value measurement

Valuation techniques used to derive Level 2 fair values

Level 2 trading and hedging derivatives comprise forward foreign exchange contracts and interest rate swaps.
These derivatives have been fair valued using forward exchange rates that are quoted in an active market.

The following table presents the group's financial liabilities that are measured at fair value at 31 March 2015.

Liabilities	**Level 1**	**Level 2**	**Level 3**	**Total**
Derivatives used for hedging				
- Interest rate swaps	-	1,805	-	1,805
Total liabilities	**-**	**1,805**	**-**	**1,805**

The following table presents the group's financial liabilities that are measured at fair value at 31 March 2014.

Liabilities	**Level 1**	**Level 2**	**Level 3**	**Total**
Derivatives used for hedging				
Trading derivatives				
- Foreign exchange contracts	-	367	-	367
Total liabilities	**-**	**367**	**-**	**367**

Financial risk management (continued)

30.4 Fair Values (continued)

The Directors estimate that the carrying amounts of financial instruments in the consolidated balance sheet equal their fair values:

- Cash and cash equivalents
- Trade and other receivables
- Trade and other payables
- Customer discount payable
- Derivative financial instruments
- Borrowings
- Provisions
- Loan from non-controlling interest
- Loan from subsidiary

30.5 Financial Instruments by category	Loans and Receivables ($000)	Assets at fair value through profit or loss ($000)	Total ($000)
Group			
At 31 March 2015			
Assets			
Trade and other receivables	**18,325**	**-**	**18,325**
			18,325
At 31 March 2014			
Assets			
Cash and cash equivalents	1,883	-	1,883
Trade and other receivables	12,013	-	12,013
			13,896

	Derivatives used for hedging ($000)	Other Financial Liabilities at amortised cost ($000)	Liabilities at fair value through profit or loss ($000)	Total ($000)
At 31 March 2015				
Liabilities				
Cash and cash equivalents		**2,961**		**2,961**
Trade and other payables	**-**	**18,931**	**-**	**18,931**
Customer discount payable	**-**	**19,100**	**-**	**19,100**
Derivative financial instruments	**1,805**	**-**	**-**	**1,805**
Borrowings	**-**	**137,266**	**-**	**137,266**
Loan from non-controlling interest	**-**	**17,075**	**-**	**17,075**
				197,138
At 31 March 2014				
Liabilities				
Trade and other payables	-	17,553	-	17,553
Customer discount payable	-	19,365	-	19,365
Derivative financial instruments	367	-	-	367
Borrowings	-	89,800	-	89,800
Loan from non-controlling interest	-	8,770	-	8,770
				135,855

Financial risk management (continued)

30.5 Financial Instruments by category (continued)

	Loans and Receivables ($000)	Assets at fair value through profit or loss ($000)	Total ($000)
Parent			
At 31 March 2015			
Assets			
Trade and other receivables	**10,957**	**-**	**10,957**
			10,957
At 31 March 2014			
Assets			
Cash and cash equivalents	1,704	-	1,704
Trade and other receivables	9,907	-	9,907
			11,611

	Hedged derivatives ($000)	Other Financial Liabilities at amortised cost ($000)	Liabilities at fair value through profit or loss ($000)	Total ($000)
At 31 March 2015				
Liabilities				
Cash and cash equivalents		**3,065**		**3,065**
Trade and other payables	**-**	**13,344**	**-**	**13,344**
Customer discount payable	**-**	**19,100**	**-**	**19,100**
Derivative financial instruments	**1,805**	**-**	**-**	**1,805**
Borrowings	**-**	**-**	**-**	**-**
Loan from subsidiary company		**809**		**809**
Loan from non-controlling interest	**-**	**-**	**-**	**-**
				38,123
At 31 March 2014				
Liabilities				
Trade and other payables	-	16,186	-	16,186
Customer discount payable	-	19,365	-	19,365
Derivative financial instruments	367	-	-	367
Borrowings	-	89,800	-	89,800
Loan from non-controlling interest	-	-	-	-
				125,718

31. Events subsequent to balance date
During April and May 2015, Ultrafast Fibre Limited issued shares to Crown Fibre Holdings and Waikato Networks Limited under the terms of the construction contract (refer note 11), as a result Waikato Networks Limited shareholding has changed to 35%.

At the 31st of March 2015 UFF owe $7 million to WNL (refer to related party note). Included in this is $3.9 million accrued connection assets which were transacted during the month of April 2015.

On 1 April 2015 under the terms of the contract (refer note 11) Waikato Networks Limited elected to purchase 4.7 million A shares at a value of $4.7 million from Crown Fibre Holdings Limited for connections between 1 January 2015 and 31 March 2015.

Independent Auditors' Report

to the shareholders of WEL Networks Limited

Report on the Financial Statements

We have audited the Group financial statements of WEL Networks Limited ("the Company") on pages 33 to 69, which comprise the balance sheet as at 31 March 2015, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements that include significant accounting policies and other explanatory information for the Group. The Group comprises the Company and the entities it controlled at 31 March 2015 or from time to time during the financial year.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards and for such internal controls as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider the internal controls relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

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

We are independent of the Group. Our firm carries out other services for the Group in the areas of tax advice and compliance services and other assurance services. The provision of these other services has not impaired our independence.

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T: +64 9 355 8000, F: +64 9 355 8001, pwc.co.nz

Independent Auditors' Report

WEL Networks Limited

Opinion

In our opinion, the financial statements on pages 33 to 69 present fairly, in all material respects, the financial position of the Group as at 31 March 2015, and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

Restriction on Use of our Report

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

PricewaterhouseCoopers

Chartered Accountants
29 May 2015

Auckland

Directors' Report / Statutory Information

1. Directors' Remuneration

Directors' fees and other remuneration paid during the year were:

	Year Ended 31 March 2015 $	Year Ended 31 March 2014 $
M P Devlin	66,500	48,000
M X Franklin	41,250	40,000
P D McGilvary	44,500	42,500
A V Steele	43,750	42,500
J L Spencer	39,000	78,000
B S Harris	22,500	-
D R Wright	21,250	-
R W Prebble	20,000	40,000
	298,750	291,000

2. Donations

There were no donations made by the Company during the year.

3. Directors' Indemnities and Insurance

The Deeds of Indemnity given by the Company in favour of those Directors who held office at the beginning of the financial year to which this report relates, and to Directors appointed since the beginning of the financial year and who still hold office as Directors of the Company, remain in full force and effect on the same terms and conditions under which they were given.

As permitted by, and to the extent permitted by, the Company's Constitution, the Company has effected insurance for Directors and officers which, together with the Deeds of Indemnity, generally ensures that the Directors will not incur any monetary loss as a result of actions undertaken by them as Directors. The Directors and officers insurance comprises a primary layer of $20 million and an excess layer of $15 million. Statutory liability insurance with a limit of $500,000 per claim and in the aggregate has also been effected.

4. Directors' Transactions

All transactions in entities in which Directors disclosed an interest have been conducted on an 'arm's length' basis in the normal course of business.

Directors' Report / Statutory Information (continued)

5. Employees Remuneration

The number of employees (excluding Directors) whose income was within specified bands is as follows:

		Group Year Ended 31 March 2015
Continuing Employees		
	350,000-359,999	1
	270,000-279,999	1
	250,000-259,999	1
	220,000-229,999	1
	210,000-219,999	1
	200,000-209,999	1
	190,000-199,999	2
	170,000-179,999	2
	160,000-169,999	1
	150,000-159,999	1
	130,000-139,999	8
	120,000-129,999	13
	110,000-119,999	22
	100,000-109,999	19
Discontinued Employees		
	260,000-269,999	1
	200,000-209,999	1

6. Shareholders

As at 31 March 2015, the Company's shareholder was:

	No. of shares
WEL Energy Trust	8,153,000
Total Shares on Issue:	8,153,000

DIRECTORY

As at 31 March 2015

REGISTERED OFFICE

114 Maui Street
Te Rapa
Hamilton 3240
New Zealand

Telephone 64-7 850 3100
Facsimile 64-7 850 3210
Website www.wel.co.nz
Email connect@wel.co.nz

DIRECTORS HOLDING OFFICE

Margaret P Devlin - Chairman
Mark X Franklin
Paul D McGilvary
Anthony (Tony) V Steele
Barry S Harris
David R Wright

COMPANY MANAGEMENT

Chief Executive	**Garth W Dibley** BE, MBA

EXECUTIVE OFFICERS

General Manager Corporate Strategy	**David E Smith** BMS, CA
General Manager Asset Management	**Paul R Blue** BE (Hons)
General Manager Operations	**David J van Deventer**
General Manager People and Performance	**David S Fuller**
AUDITORS	PricewaterhouseCoopers, Auckland
SOLICITORS	Tompkins Wake, Hamilton DLA Phillips Fox, Auckland
INSURANCE BROKERS	JLT New Zealand, Auckland

WEL Networks

BEST IN SERVICE. BEST IN SAFETY.

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