

WAIPA NETWORKS TRUST

CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2017

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WAIPA NETWORKS TRUST

DIRECTORY

ADDRESS:	Waipa Networks Trust P O Box 34 Te Awamutu
TRUSTEES:	Mr C T Sanders (Chairman) Mr A J Bateman (Deputy Chairman) Mrs J M Bannon (Trustee) Mrs B J Taranaki QSM JP (Trustee) Mr C Rist (Trustee until June 2016) Mrs R Trewman (Trustee until December 2016)
SECRETARY/ TREASURER:	S J Davies PO Box 34 Te Awamutu
BANKERS:	Westpac Alexandra Street Te Awamutu
SOLICITORS:	Kevin Jaffe Simpson, Grierson Auckland
ACCOUNTANTS:	Gyde Wansbone Chartered Accountants Ltd 195 Mahoe Street Te Awamutu
AUDITORS:	Finnz Chartered Accountants 486 Alexandra St Te Awamutu

WAIPA NETWORKS TRUST
COMPREHENSIVE INCOME STATEMENT
 FOR THE YEAR ENDED 31 MARCH 2017

	Note	Group		Parent	
		2017 \$	2016 \$	2017 \$	2016 \$
Revenue	2	34,091,573	29,965,243	-	-
Less Discounts		4,354,669	4,008,712	-	-
Net Revenue		29,736,904	25,956,531	-	-
Operating Expenses	3	22,126,041	19,942,438	209,795	203,236
Profit from Operations		7,610,863	6,014,093	(209,795)	(203,236)
Investment Income		2,214,662	1,222,309	112,721	132,907
Net Gain / (Loss) on Disposal of Assets		(46,229)	34,579	-	-
Profit / (Loss) before Interest and Tax		9,779,296	7,270,981	(97,074)	(70,329)
Finance Costs	18	1,184,163	439,981	-	-
Share of Net Profit / (Loss) of Associates		8,784,300	-	-	-
Profit / (Loss) before Tax		17,379,433	6,831,000	(97,074)	(70,329)
Less Tax Expense	4	2,574,161	1,847,987	-	-
Total Comprehensive Income		14,805,272	4,983,013	(97,074)	(70,329)

STATEMENT OF MOVEMENTS IN EQUITY
 FOR THE YEAR ENDED 31 MARCH 2017

		Group		Parent	
		2017 \$	2016 \$	2017 \$	2016 \$
Equity as at 1 April		110,819,894	105,836,881	3,361,597	3,431,926
Profit / (Loss) for the Year		14,805,272	4,983,013	(97,074)	(70,329)
Equity as at 31 March	7	125,625,166	110,819,894	3,264,523	3,361,597

The accompanying notes form part of these financial statements.



WAIPA NETWORKS TRUST
BALANCE SHEET
 FOR THE YEAR ENDED 31 MARCH 2017

	Note	Group		Parent	
		2017 \$	2016 \$	2017 \$	2016 \$
ASSETS					
Property, Plant and Equipment	14	124,069,000	121,237,541	2,047	1,157
Intangible Assets	15	4,196,871	3,911,601	-	-
Prepayments		313,791	323,496	-	-
Investments in Associates	16	8,784,300	-	-	-
Loans to Associates	16	63,335,522	30,454,693	-	-
TOTAL NON CURRENT ASSETS		200,699,484	155,927,331	2,047	1,157
Cash and Cash equivalents	8	3,322,546	3,403,321	3,307,073	3,382,023
Trade and other receivables	10	2,630,513	2,061,536	-	-
Inventories	11	1,171,272	1,059,988	-	-
TOTAL CURRENT ASSETS		7,124,331	6,524,845	3,307,073	3,382,023
TOTAL ASSETS		207,823,815	162,452,176	3,309,120	3,383,180
EQUITY					
Trust Capital	6	100	100	100	100
Retained earnings	7	125,625,166	110,819,894	3,264,423	3,361,497
TOTAL EQUITY		125,625,266	110,819,994	3,264,523	3,361,597
LIABILITIES					
Employee Entitlements	13	198,319	194,835	-	-
Capital Contributions in Advance		3,337,717	3,163,664	-	-
Derivative Financial Instruments	20	100,051	251,355	-	-
Deferred Taxation	5	21,460,846	20,839,657	-	-
TOTAL NON CURRENT LIABILITIES		25,096,933	24,449,511	-	-
Trade and Other Payables	12	3,287,741	3,461,532	44,597	21,583
Borrowings	9	52,760,000	22,795,000	-	-
Derivative Financial Instruments	20	66,515	91,906	-	-
Employee Entitlements	13	424,762	363,977	-	-
Income Tax Payable		562,598	470,256	-	-
TOTAL CURRENT LIABILITIES		57,101,616	27,182,671	44,597	21,583
TOTAL LIABILITIES		82,198,549	51,632,182	44,597	21,583
TOTAL EQUITY AND LIABILITIES		207,823,815	162,452,176	3,309,120	3,383,180

For and on behalf of the Board

Craig Sanders
 CT Sanders, Trustee

01/08/2017
 Date

AV Bateman
 AV Bateman, Trustee

01/08/17
 Date

The accompanying notes form part of these financial statements



WAIPA NETWORKS TRUST
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2017

	Note	Group		Parent	
		2017	2016	2017	2016
		\$	\$	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		26,499,488	24,362,402	-	-
Payments to suppliers and employees		(17,448,766)	(16,106,566)	(185,972)	(208,413)
Net GST		91,736	(107,838)	-	-
Cash generated from operations		9,142,458	8,147,998	(185,972)	(208,413)
Interest Received		117,596	141,590	112,721	132,907
Interest paid		(1,296,923)	(53,660)	-	-
Taxes Paid		(1,860,631)	(1,667,024)	-	-
Net Cash Flows from Operating Activities	19	6,102,500	6,568,904	(73,251)	(75,506)
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sale of Property, Plant and Equipment		84,394	64,747	-	-
Increase in short term investment		-	-	-	-
Capital contributions		2,868,833	1,205,148	-	-
Purchase of Property, Plant and Equipment		(8,011,372)	(11,157,392)	(1,699)	-
Purchase of intangible assets		(306,412)	(3,873,502)	-	-
Purchase of investments		(30,783,718)	(12,300,000)	-	-
Net cash flows from investing activities - Increase in Borrowings		(36,148,275)	(26,060,999)	(1,699)	-
CASH FLOW FROM FINANCING ACTIVITIES					
Net cash flows from financing activities		29,965,000	19,395,000	-	-
Net increase (decrease) in cash held		(80,775)	(97,095)	(74,950)	(75,506)
Cash & cash equivalents at 1 April		3,403,321	3,500,416	3,382,023	3,457,529
Cash & cash equivalents at 31 March		3,322,546	3,403,321	3,307,073	3,382,023
CASH BALANCES IN THE BALANCE SHEET					
		3,322,546	3,403,321	3,307,073	3,382,023

The accompanying notes form part of these financial statements



WAIPA NETWORKS TRUST
NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

1 STATEMENT OF ACCOUNTING POLICIES
Reporting Entity

Waipa Networks Trust (the Trust) is a trust established in terms of a trust deed dated 1 May 1993. It is also referred to as the parent.

The group consists of Waipa Networks Trust and its wholly owned subsidiary, Waipa Networks Limited.

The Trust and Group financial statements have been prepared in accordance with the Trust deed and section 46A of the Energy Companies Act 1992.

Statement of Compliance

The Financial Statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP) as a for profit entity. Waipa Networks is eligible to apply Tier 2 For-profit Accounting Standards (New Zealand equivalents to International Financial Reporting Standards – Reduced Disclosure Regime ('NZ IFRS RDR')) on the basis that it does not have public accountability and is not a large for-profit public sector entity. The Trust has elected to report in accordance with NZ IFRS RDR and has applied disclosure concessions. The Financial Statements comply with the New Zealand Equivalent to International Financial Reporting Standards Reduced Disclosure Regime (NZ IFRS RDR), and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities.

Basis of Preparation

The functional and reporting currency used in preparation of the Financial Statements is New Zealand dollars. They are prepared on a historical cost basis.

These Financial Statements have been prepared in accordance with NZ IFRS that are effective or available.

These general purpose financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 2013 and the Companies Act 1993.

Critical Accounting Estimates and Adjustments

The preparation of Financial Statements in conformity with NZ IFRS RDR requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(i) Revenue recognition for line revenue

The company invoices its customers monthly for the network services on the basis of usage advised by retailers, including estimated amounts for accrued sales from meters unread as at end of month.

Management has made an allowance in revenue and in trade receivables for any amounts which are estimated to be under or over charged as at balance date.

(ii) Useful lives of property, plant and equipment

The Company reviews the estimated useful lives of property, plant and equipment at each balance sheet date. In this financial year it was deemed that changes to the estimated useful lives were needed for the reticulation assets, the change to rates reduced the depreciation charge for the year by \$9,082. The carrying value of property, plant and equipment is disclosed in note 14 Property, Plant and Equipment.



WAIPA NETWORKS TRUST
NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

1 STATEMENT OF ACCOUNTING POLICIES (Cont)

Changes in Accounting Policies

There have been no changes in accounting policies. The accounting policies set out below have been applied consistently to all periods presented in these Financial Statements.

a) Consolidation

Where the Trust has control over an investee, it is classified as a subsidiary. The Trust controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

The consolidated financial statements present the results of the Trust and its subsidiaries ("the Group") as if they formed a single entity. Inter-entity transactions and balances between group entities are therefore eliminated in full.

Associates are entities in which the Trust has significant influence but not control over the operating and financial policies. Investments in associates are accounted for using the equity method. The investment is initially recognised at cost and adjusted thereafter by the trusts share of the net profit recognised in the income statement. The associate has an accounting policy to revalue the property plant and equipment (specifically its fibre network assets) which differs from Waipa Networks policy, as their assets are a different class to Waipa's, no adjustment is made as a result of the difference between the accounting policies of the Trust and the associate. The Trust's share of any other gains and losses of associates charged directly to equity is recognised in other comprehensive income. Dividends received from associates are credited to the carrying amount of the investment in associates in the financial statements.

Loans to associates are recorded at original investment plus any capitalised interest.

b) Property, Plant and Equipment

Items of property plant and equipment are stated at cost less accumulated depreciation and impairment losses.

The cost of purchased property plant and equipment is the value of the consideration given to acquire the assets and the value of other directly attributable costs, which have been incurred in bringing the assets to the location and condition necessary for their intended use.

The cost of the assets constructed by Waipa Networks, including capital works in progress, includes the cost of all materials used in construction, direct labour and other directly attributable costs, which have been incurred to bring the assets to the location and condition necessary for their intended use. Borrowing costs are capitalised in respect of qualifying assets which take three months or more to construct.

Certain items of property plant and equipment that had been revalued to fair value on or prior to 1 April 2006, the date of transition to NZIFRS, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation. Where parts of an item of property plant and equipment have different useful lives, they are accounted for as separate items of property plant and equipment.

Subsequent expenditure incurred to replace a component of an item of property plant and equipment, that extends the estimated life of the asset, is capitalised. All other expenditure is recognised in the statement of comprehensive income as an expense as incurred.

Leased Assets

Leases in which Waipa Networks assumes substantially all the risks and rewards of ownership are classified as finance leases. Any asset acquired by way of a finance lease is stated at an amount equal to the lower of the fair value or present value of the future minimum lease payments at inception of the lease.

Depreciation

Depreciation is charged to the statement of comprehensive income on a straight-line basis so as to allocate the cost of the assets over the estimated useful lives of each part of an item of property plant and equipment. Land is not depreciated.

The range of annual depreciation rates for each classification of property plant and equipment is as follows;

Buildings	1% to 3%
Buildings fitout	2% to 10%
Reticulation System	1% to 2.5%
Other Electrical	1% to 2.5%
Motor Vehicles	10% to 20%
Computer Equipment	20%
Plant, Furniture and Fittings	10% to 50%

Asset residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.



WAIPA NETWORKS TRUST
NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

1 STATEMENT OF ACCOUNTING POLICIES (Cont)

c) Intangible Assets

Goodwill on acquisitions of businesses is included in 'intangible assets'. Goodwill is carried at cost less accumulated impairment losses. At balance date, the company assesses whether there is any indication that goodwill may be impaired. If any such indication exists, the company estimates the recoverable amount of the asset. Impairment losses on goodwill are not reversed.

Goodwill is allocated to cash-generating units (CGUs) for the purpose of impairment testing. The allocation is made to those CGUs units that are expected to benefit from the synergies of the business combination.

Computer software assets are stated at cost less accumulated amortisation and impairment losses. Amortisation is charged to the statement of comprehensive income on a straight-line basis so as to allocate the cost of the assets over the estimated useful lives.

The useful lives and associated amortisation rates have been estimated as follows;

Computer Software	5 years	20%
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Acquired easement rights are capitalised on the basis of the direct costs incurred including injurious affection payments. Easements are deemed to have an indefinite useful life, as the contracts do not have a maturity date and the Company expects to use the easements indefinitely. Therefore, easements are not amortised.

Their value is assessed annually for impairment, and their carrying value is written down if found impaired.

Where the rights have an expiration date, amortisation is charged to the statement of comprehensive income on a straight-line basis so as to allocate the cost of the assets over the useful life.

d) Inventories

Inventories are stated at the lower of weighted average cost and net realisable value.

Cost of work in progress and finished goods includes the cost of direct materials, direct labour and a proportion of the manufacturing overhead expended in putting the inventories in their present location and condition.

e) Trade and other receivables

Accounts receivables are stated at their expected realisable value after providing for doubtful debts. Bad debts are written off in the period they are identified.

f) Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances and deposits with maturities of one year or less. Bank overdrafts that are repayable on demand and form an integral part of the company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

g) Financial Instruments

Financial assets and financial liabilities are recognised on the Balance Sheet when the entity becomes a party to the contractual provisions of the instrument. Interest rate swaps are used to reduce the Company's exposure to interest rate risk on financing transactions.

The fair value of various derivative instruments used for hedging purposes are disclosed in note 20.

The derivatives are subsequently measured at their fair value at each balance date with the resulting gain or loss recognised in the comprehensive income. The Company has elected not to apply hedge accounting.

The portion of the fair value of an interest rate derivative that is expected to be realised within 12 months of the balance date is classified as current, with the remaining portion of the derivative classified as non-current.

h) Impairment

The carrying amounts of the Company's assets other than deferred tax assets (see accounting policy k) and inventories (see accounting policy d) are reviewed at each balance date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income.



WAIPA NETWORKS TRUST

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

1 STATEMENT OF ACCOUNTING POLICIES (Cont)

h) Impairment (Cont)

The recoverable amount of assets is the greater of the net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

i) Revenue

Revenue comprises the amounts received and receivable at balance date for network services supplied to customers in the ordinary course of business, including estimated amounts for accrued sales from meters unread as at balance sheet date. Revenue from sale of goods is recognised in the statement of comprehensive income when the significant risks and rewards of ownership have been transferred to the buyer.

Rental income is recognised in the statement of comprehensive income when invoiced.

Interest income is recognised in the statement of comprehensive income as it accrues.

Contributions received from Local Authorities towards the cost of additions to the Reticulation Assets are recognised in the balance sheet initially as deferred income. When there is reasonable assurance that it will be received and the Company will comply with the conditions attached to it, the revenue is recognised in the statement of comprehensive income as operating income on a straight-line basis over 40 years. Other contributions towards the cost of additions to the Reticulation Assets are recognised in the balance sheet initially as deferred income. The revenue is recognised in the statement of comprehensive income as operating income when the works have been completed.

j) Employee Entitlements

Obligations for contributions to defined contribution pension plans are recognised as an expense in the statement of comprehensive income as incurred.

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

Provisions made in respect of employee benefits expected to be settled within 12 months are measured as the amount unpaid at balance sheet date at current pay rates in respect of the employees' service up to that date.

Provisions made in respect of employee benefits not expected to be settled within 12 months are measured as the amount of future benefit that employees have earned in return for their service in the current and prior periods up to the balance sheet date. The obligation is calculated using the projected unit credit method and is discounted to its present value.

k) Taxation

The income tax on the profit or loss for the year includes both current and deferred tax. The income tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly to equity, in which case the income tax is recognised in equity.

Current tax is the expected tax payable on the taxable income for the period using tax rates enacted or substantively enacted at the Balance Sheet date together with any adjustment to tax payable in respect of previous years.

Deferred tax is calculated using the Balance Sheet liability method providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the Balance Sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

l) Trade and other payables

Trade payables and other accounts payable are recognised when the company becomes obligated to make future payments resulting from the purchase of goods and services.

m) Goods and Service Tax

The Statement of Comprehensive Income and Statement of Cash Flows have been prepared so that all components are stated exclusive of GST. All items in the Balance Sheet are stated exclusive of GST with the exception of receivables and payables which include GST invoiced.



WAIPA NETWORKS TRUST
NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

	Group		Parent	
	2017	2016	2017	2016
	\$	\$	\$	\$
2 REVENUE				
Network line services	28,925,693	26,307,699	-	-
Contracting sales	2,521,614	1,880,530	-	-
Capital contributions	2,036,997	1,060,168	-	-
Sundry income	121,375	146,131	-	-
Loss rental rebates	485,894	570,715	-	-
Total Revenue	34,091,573	29,965,243	-	-
3 OPERATING EXPENSES				
Audit fees for these financial statements	64,294	61,175	2,852	2,657
Audit fees for disclosure financial statements	17,500	20,500	-	-
Trustees Fees	73,949	85,882	73,949	85,882
Depreciation	4,203,088	3,861,138	763	555
Amortisation of intangible assets	21,143	22,671	-	-
Transmission charges	9,226,623	8,282,742	-	-
Employee benefits	4,549,797	4,349,374	30,194	27,000
Directors' fees	221,600	247,904	-	-
Materials and Contractors	1,962,034	1,412,610	-	-
Bad debts	1,022	310	-	-
Change in Provision for Doubtful Debts	30,000	-	-	-
Other expenses	1,754,992	1,598,132	102,038	87,142
Total Expenses	22,126,042	19,942,438	209,796	203,236
4 TAX				
Profit/(Loss) Before Tax	17,379,434	6,831,001	(97,074)	(70,329)
Tax Payable	4,893,422	1,932,372	-	-
Tax effect of non assessable revenue	(2,810,316)	(176,785)	-	-
Tax effect of expenses that are non deductible	491,235	92,288	-	-
Tax Expense	2,574,341	1,847,875	-	-
Under / (over) provision previous year	(180)	112	-	-
Adjustments Previous Years	-	-	-	-
Total Tax Expense	2,574,161	1,847,987	-	-
The Tax charge comprises:				
-current tax	1,953,153	1,787,326	-	-
-prior period adjustments to current tax	(180)	112	-	-
-deferred tax on temporary differences	621,188	60,549	-	-
Total Tax Expense	2,574,161	1,847,987	-	-

All temporary differences have been recorded in the financial statements



WAIPA NETWORKS TRUST
NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

	Group		Parent	
	2017	2016	2017	2016
	\$	\$	\$	\$
5 DEFERRED TAX				
Balance at 1 April	20,839,657	20,779,107	-	-
Deferred portion of current year tax expense	621,189	60,550	-	-
Balance at end of year	<u>21,460,846</u>	<u>20,839,657</u>	-	-
The tax rate used in the above reconciliation is the corporate tax rate of 28% (2016:28%) payable by corporate entities on taxable profits under New Zealand tax law.				
<i>The Deferred Taxation liability comprises of;</i>				
Tax Effect on Timing differences	134,227	10,132	-	-
Tax effect on the Reticulation Assets being the difference between IRD Cost and IRD current Value.	11,542,618	10,546,140	-	-
Tax effect of the difference between the carrying amount of the Reticulation Assets and the IRD Cost of the Reticulation Assets.	9,521,162	10,017,737	-	-
Tax effect of the carrying amount of the Building partly constructed as at 20 May 2010 as building depreciation is non deductible for tax purposes.	262,839	265,648	-	-
	<u>21,460,846</u>	<u>20,839,657</u>	-	-
<i>Deferred tax Property, plant and equipment</i>				
Balance at 1 April	21,263,499	21,218,292	-	-
Charged to statement of comprehensive income	488,283	45,207	-	-
Charged to equity	-	-	-	-
Balance at 31 March	<u>21,751,782</u>	<u>21,263,499</u>	-	-
<i>Deferred tax employee entitlements</i>				
Balance at 1 April	(136,772)	(141,864)	-	-
Charged to statement of comprehensive income	(11,173)	5,092	-	-
Charged to equity	-	-	-	-
Balance at 31 March	<u>(147,945)</u>	<u>(136,772)</u>	-	-
<i>Deferred tax other</i>				
Balance at 1 April	(287,070)	(297,321)	-	-
Charged to statement of comprehensive income	144,079	10,251	-	-
Charged to equity	-	-	-	-
Balance at 31 March	<u>(142,991)</u>	<u>(287,070)</u>	-	-
<i>Deferred tax total</i>				
Balance at 1 April	20,839,657	20,779,107	-	-
Charged to statement of comprehensive income	621,189	60,550	-	-
Charged to equity	-	-	-	-
Balance at 31 March	<u>21,460,846</u>	<u>20,839,657</u>	-	-
6 TRUST CAPITAL				
Balance at beginning of year	100	100	100	100
Balance at end of year	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>
7 RETAINED EARNINGS				
Balance at beginning of year	110,819,894	105,836,881	3,361,497	3,431,826
Net Surplus after Taxation	14,805,272	4,983,013	(97,074)	(70,329)
Balance at end of year	<u>125,625,166</u>	<u>110,819,894</u>	<u>3,264,423</u>	<u>3,361,497</u>
8 CASH AND CASH EQUIVALENTS				
Current Account	172,546	79,757	157,073	58,459
Short Term Investments	3,150,000	3,323,564	3,150,000	3,323,564
	<u>3,322,546</u>	<u>3,403,321</u>	<u>3,307,073</u>	<u>3,382,023</u>

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



WAIPA NETWORKS TRUST
NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

	Group		Parent	
	2017	2016	2017	2016
	\$	\$	\$	\$
9 BORROWINGS				
Debt Facility	52,760,000	22,795,000	-	-
The debt facility relates to a multi-option credit facility with a final maturity date 25 June 2019. A facility fee rate is charged interest at a variable interest rate.				
The carrying amount for borrowings equals the fair value.				
10 TRADE AND OTHER RECEIVABLES				
Trade receivables	2,634,863	2,021,540	-	-
Trade debtors from Related Parties	2,595	2,619	-	-
Provision for Doubtful Debts	(65,000)	(35,000)	-	-
	2,572,458	1,989,159	-	-
Accrued Income	3	48	-	-
Prepayments	58,052	72,329	-	-
	2,630,513	2,061,536	-	-
A provision has been made for estimated irrecoverable amounts from the sale of goods and services determined by reference to past default experience and the current economic climate.				
11 INVENTORIES				
Stock	920,191	929,068	-	-
Work in Progress	251,081	130,920	-	-
	1,171,272	1,059,988	-	-
12 TRADE AND OTHER PAYABLES				
Accounts payable and accruals-trade	1,994,379	2,881,238	44,597	21,583
Capital Contributions in advance	1,234,783	577,000	-	-
Payables to directors	58,579	3,294	-	-
	3,287,741	3,461,532	44,597	21,583
13 EMPLOYEE ENTITLEMENTS				
Current employee entitlements	424,762	363,977	-	-
Non current employee entitlements	198,319	194,835	-	-
Total employee entitlements	623,081	558,812	-	-
14 PROPERTY, PLANT & EQUIPMENT				
Freehold Land				
Cost to 31 March 2016	1,252,334	1,252,334	-	-
Current year additions	-	-	-	-
Current year disposals	-	-	-	-
Cost to 31 March 2017	1,252,334	1,252,334	-	-
Freehold Buildings				
Cost to 31 March 2016	2,799,791	2,750,786	-	-
Accumulated Depreciation to 31/3/2016	157,798	130,016	-	-
Net Book Value 31 March 2016	2,641,993	2,620,770	-	-
Current year additions	4,447	49,005	-	-
Current year disposals	-	-	-	-
Current year depreciation	28,284	27,782	-	-
Cost to 31 March 2017	2,804,238	2,799,791	-	-
Accumulated Depreciation to 31/3/2017	186,082	157,798	-	-
Net Book Value	2,618,156	2,641,993	-	-



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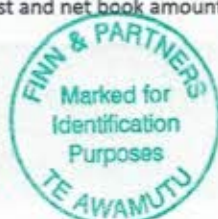
	Group		Parent	
	2017	2016	2017	2016
	\$	\$	\$	\$
14 PROPERTY, PLANT & EQUIPMENT (Cont)				
Building Fitout				
Cost to 31 March 2016	3,159,878	3,159,104	-	-
Accumulated Depreciation to 31/3/2016	1,263,904	1,029,149	-	-
Net Book Value 31 March 2016	1,895,974	2,129,955	-	-
Current year additions	16,834	774	-	-
Current year disposals	2,615	-	-	-
Current year depreciation	235,072	234,755	-	-
Cost to 31 March 2017	3,169,738	3,159,878	-	-
Accumulated Depreciation to 31/3/2017	1,494,617	1,263,904	-	-
Net Book Value	1,675,121	1,895,974	-	-
Reticulation Assets				
Cost to 31 March 2016	136,547,200	125,202,966	-	-
Accumulated Depreciation to 31 March 2016	26,024,405	23,065,157	-	-
Net Book Value 31 March 2016	110,522,795	102,137,809	-	-
Current year additions	6,562,911	11,430,816	-	-
Current year disposals	32,127	21,750	-	-
Current year depreciation	3,307,337	3,024,080	-	-
Cost to 31 March 2017	143,050,868	136,547,200	-	-
Accumulated Depreciation to 31/3/2017	29,304,626	26,024,405	-	-
Net Book Value	113,746,242	110,522,795	-	-
Capital work in progress included in cost & net book amount	698,045	12,852,348	-	-
Other Electrical Assets				
Cost to 31 March 2016	4,195,070	4,176,324	-	-
Accumulated Depreciation to 31 March 2016	1,681,555	1,612,696	-	-
Net Book Value 31 March 2016	2,513,515	2,563,628	-	-
Current year additions	51,600	18,746	-	-
Current year disposals	79,000	-	-	-
Current year depreciation	77,922	68,859	-	-
Cost to 31 March 2017	4,167,671	4,195,070	-	-
Accumulated Depreciation to 31/3/2017	1,759,478	1,681,555	-	-
Net Book Value	2,408,193	2,513,515	-	-
Motor Vehicles				
Cost to 31 March 2016	4,646,282	4,310,705	-	-
Accumulated Depreciation to 31 March 2016	2,879,956	2,709,756	-	-
Net Book Value 31 March 2016	1,766,326	1,600,949	-	-
Current year additions	405,313	529,998	-	-
Current year disposals	15,978	392	-	-
Current year depreciation	411,082	364,229	-	-
Cost to 31 March 2017	4,894,234	4,646,282	-	-
Accumulated Depreciation to 31/3/2017	3,149,655	2,879,956	-	-
Net Book Value	1,744,579	1,766,326	-	-



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FOR THE YEAR ENDED 31 MARCH 2017

	Group		Parent	
	2017	2016	2017	2016
	\$	\$	\$	\$
14 PROPERTY, PLANT & EQUIPMENT (Cont)				
Plant, Furniture and Fittings				
Cost to 31 March 2016	3,081,406	2,984,620	4,330	4,330
Accumulated Depreciation to 31 March 2016	2,436,802	2,320,459	3,173	2,618
Net Book Value 31 March 2016	644,604	664,161	1,157	1,712
Current year additions	124,103	129,902	1,699	-
Current year disposals	2,163	8,026	1,268	-
Current year depreciation	143,391	141,433	763	555
Cost to 31 March 2017	3,189,025	3,081,406	4,761	4,330
Accumulated Depreciation to 31/3/2017	2,564,650	2,436,802	2,714	3,173
Net Book Value	624,375	644,604	2,047	1,157
Total Net Book Value	124,069,000	121,237,541	2,047	1,157
15 INTANGIBLE ASSETS				
Software				
Cost to 31 March 2016	388,525	367,123	-	-
Accumulated Amortisation to 31 March 2016	329,024	306,352	-	-
Net Book Value 31 March 2016	59,501	60,771	-	-
Current year additions	4,699	21,401	-	-
Current year amortisation	21,143	22,671	-	-
Cost to 31 March 2017	393,224	388,525	-	-
Accumulated Amortisation to 31 March 2017	350,167	329,024	-	-
Net Book Value	43,057	59,501	-	-
Goodwill				
Cost to 31 March 2016	62,020	62,020	-	-
Accumulated impairment to 31 March 2016	62,020	62,020	-	-
Net Book Value 31 March 2016	-	-	-	-
Current year additions	-	-	-	-
Current year amortisation	-	-	-	-
Cost to 31 March 2017	62,020	62,020	-	-
Accumulated Impairment to 31 March 2017	62,020	62,020	-	-
Net Book Value	-	-	-	-
Easements				
Cost to 31 March 2016	3,852,100	-	-	-
Accumulated impairment to 31 March 2016	-	-	-	-
Net Book Value 31 March 2016	3,852,100	-	-	-
Current year additions	301,714	3,852,100	-	-
Current year impairment	-	-	-	-
Cost to 31 March 2017	4,153,814	3,852,100	-	-
Accumulated Impairments to 31 March 2017	-	-	-	-
Net Book Value	4,153,814	3,852,100	-	-
Capital work in progress included in cost and net book amount	2,571,300	-	-	-
Total Net Book Value	4,196,871	3,911,601	-	-



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	Group		Parent	
	2017	2016	2017	2016
	\$	\$	\$	\$
16 INVESTMENTS				
Investments in Associates carried at cost	-	-	-	-
Shareholding in Associates	Percentage Held			
Waikato Networks Limited (Fibre Contracting Company)	15%	15%		
Investments in Associates				
Waikato Networks Limited	8,784,300	-		
Loans to Associates				
Waikato Networks Limited				
Loans as at 1 April	30,454,693	17,073,980		
Loans advanced during year	30,783,718	12,300,000		
Loan repayments received	-	-		
Interest charged	2,097,111	1,080,713		
Interest received	-	-		
Loans as at 31 March	<u>63,335,522</u>	<u>30,454,693</u>		

Interest is charged on the loan at 4.17% pa (2016 4.49% pa) and the loan has no predetermined settlement date. The loan is unsecured and the interest rates are as at balance date.

<u>72,119,822</u>	<u>30,454,693</u>
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17 EMPLOYEE BENEFITS

Superannuation - defined contribution plans	116,347	119,198	-	-
Other Employee benefits included in operating expenses	4,403,256	4,203,176	-	-
Other Employee benefits capitalised to Property, Plant and Equipment	537,611	463,759	-	-
Total Employee benefits	<u>5,057,214</u>	<u>4,786,133</u>	-	-

18 FINANCE COSTS

Bank Borrowing costs	1,552,811	460,805	-	-
Less Interest Capitalised on Construction of Property, Plant and Equipment	191,953	364,085	-	-
Less Interest rate swaps - cashflow hedges	176,695	(343,261)	-	-
Total Employee benefits	<u>1,184,163</u>	<u>439,981</u>	-	-



WAIPA NETWORKS TRUST
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FOR THE YEAR ENDED 31 MARCH 2017

	Group 2017 \$	Group 2016 \$	Parent 2017 \$	Parent 2016 \$
19 RECONCILIATION OF NET SURPLUS TO NET CASH FLOWS FROM OPERATING ACTIVITIES				
Reported Profit/(Loss) after tax	14,805,272	4,983,013	(97,074)	(70,329)
Add (Less) Non Cash Items:				
Depreciation	4,203,088	3,861,138	763	555
Amortisation of Intangible Assets	21,143	22,671	-	-
Impairment on Goodwill	-	-	-	-
Unrealised interest rate swaps-loss/(gain)hedges	(176,695)	343,261	-	-
Increase (Decrease) in deferred tax	621,189	60,550	-	-
Increase in Term Liabilities Leave Provisions	3,484	(12,080)	-	-
	<u>19,477,481</u>	<u>9,258,553</u>	<u>(96,311)</u>	<u>(69,774)</u>
Add (Less) Movements in Working Capital Items				
Decrease (increase) in Tax Receivables	92,342	120,414	-	-
Decrease (increase) in Receivables	(568,977)	(122,196)	-	-
Decrease (increase) in Inventories	(111,284)	(202,891)	-	-
Increase (Decrease) in Accounts Payable	(237,726)	1,129,764	23,014	(5,732)
Increase (Decrease) in Interest Expense Accrual	63,935	43,059	-	-
Increase (Decrease) in Leave Provisions	60,785	(135,024)	-	-
	<u>(700,925)</u>	<u>833,126</u>	<u>23,014</u>	<u>(5,732)</u>
	<u>18,776,556</u>	<u>10,091,679</u>	<u>(73,297)</u>	<u>(75,506)</u>
Add (Less) Items Classified as Investing Activities				
Net Loss on Disposal of Assets	46,275	(34,579)	46	-
Increase (Decrease) in Creditors for Property, Plant and Equipment	846,155	(1,001,848)	-	-
Share of net profit(loss) of associates	(8,784,300)	-	-	-
Capital Contributions	(2,694,780)	(1,082,139)	-	-
Decrease/(Increase) in Prepayments	9,705	(323,496)	-	-
Interest added to investment	(2,097,111)	(1,080,713)	-	-
	<u>(12,674,056)</u>	<u>(3,522,775)</u>	<u>46</u>	<u>-</u>
Net Cash Inflows from Operating Activities	<u>6,102,500</u>	<u>6,568,904</u>	<u>(73,251)</u>	<u>(75,506)</u>

20 DERIVATIVE FINANCIAL INSTRUMENTS

The company had the following derivative financial instruments at year end as follows:

Current interest rate swaps - cash flow hedges	66,515	91,906	-	-
Non current interest rate swaps - cash flow hedges	100,051	251,355	-	-
	<u>166,566</u>	<u>343,261</u>	<u>-</u>	<u>-</u>
Total interest rate swaps - cash flow hedges				

The principal amounts of the outstanding interest rate swap contracts at 31 March 2017 were \$38 million (2016 \$18 million). Gains and losses in movement of fair value for future cashflows are recognised in finance costs.



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21 FINANCIAL INSTRUMENTS

Liquidity Risk

Liquidity risk is the risk that the entity may be unable to meet their financial obligations as they fall due. This risk is managed by maintaining sufficient cash and deposits together with access to committed credit facilities. The Trusts exposure to liquidity risk is disclosed in note 12.

Credit Risk

In the normal course of its business, Waipa Networks incurs credit risk from trade receivables from customers. Waipa Networks largest customer accounts for 19% (2016:27%) of total sales and 21% (2016:36%) of trade receivables at balance date for which a bank performance bond is held. There are no other significant concentrations of credit risk and Waipa Networks generally does not require any collateral.

Waipa Networks places its cash and short term deposits with high credit quality financial institutions with a recognised credit rating of A- or better and limits the amount of credit exposure to any one institution, as set forth by the Board of Directors. While the company may be subject to credit losses up to the contract amounts in the event of non-performance by other parties, it does not expect such losses to occur.

Market Risk

Price Risk

Waipa Networks is not exposed to price risk as it has no instruments subject to market prices.

Currency Risk

Waipa Networks enters into forward exchange contracts for any significant capital transaction conducted in currency other than the New Zealand dollar to eliminate the effects of any currency fluctuations, these are recognised when the transaction occurs. There are no currency hedges as at 31 March 2017 (2016:Nil).

Interest Rate Risk

Waipa Networks is exposed to changes in the market interest rate relating to the Company's short term debt obligations. The Company's policy is to manage interest rate risk by funding ongoing activities with short term borrowings funded at fixed term interest rates. Interest rate swaps are used to reduce the Company's exposure to interest rate risk on long term funding requirements. The Company borrowings are drawn to fund ongoing operations and capital expenditure programs.

Fair Value

The carrying value of financial instruments approximates their fair value.

22 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

There are no contingent liabilities as at 31 March 2017 (2016:\$Nil).

There are commitments for future capital expenditure of \$387,275 as at 31 March 2017 (2016:\$2,108,834)

Pursuant to the Waikato Networks Ltd shareholders agreement there is a commitment for capital requirements and the guarantee obligations during the next 4 years (2016 \$5.6 million during the next 5 years) which will if required either be funded from operating profit, current debt, or long term debt.

23 SEGMENTAL REPORTING

Waipa Networks operates predominantly in one industry, the distribution of electricity.

All operations are carried out within New Zealand, and are therefore within one geographical segment for reporting purposes.

Major Customers

Revenue from 3 (2016: 5) customers of \$14,818,787 (2016: \$22,091,269) represents 43% (2016: 74%) of the entity's total revenues.

24 EVENTS SUBSEQUENT TO BALANCE DATE

There have been no significant events during the period since year end which have an impact on the information presented as at balance date.

25 RELATED PARTIES

At balance date, the Waipa Networks Trust held 100 per cent of the shares in Waipa Networks Limited.

As part of its everyday business Waipa Networks Ltd passes rebates to retail electricity users in its network. Directors and staff of Waipa Networks Ltd and Trustees of Waipa Networks Trust that are connected to the company's network have received these rebates calculated on the same basis as other retail electricity user rebates.

	2017	2016
	\$	\$
Related Party Transactions with Waikato Networks Ltd:		
Interest income (capitalised to loan)	2,097,111	1,080,713
Revenue received to make ready poles for attachment of fibre	4,851	-
Revenue received for pole rental	27,200	27,324
Trade Debtors	2,595	2,619
Loan	63,335,522	30,454,693



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25 RELATED PARTIES (Cont)

Related Party Transactions with Ultrafast Fibre Ltd:

Revenue received for pole rental	-	-
Trade Debtors	-	-

Related Party Transactions with EcovisKGA Ltd (a company associated with Keith Goodall).

Consulting fees	48,634	-
Trade Creditors	55,929	-

There are no other related party transactions.

No related party debts were forgiven or written off during 2017 or 2016.

No Provision has been made in the accounts for payment of a final dividend to the Waipa Networks Trust (2016 Nil). No Interim dividends have been paid (2016 Nil).

	Group 2017	Group 2016	Parent 2017	Parent 2016
	\$	\$	\$	\$
Remuneration of Key Management Personnel				
Short term employee benefits	870,783	845,137	-	-
Post-employment benefits	-	-	-	-
Secretary & Trustees Fees	104,143	112,882	104,143	112,882
Director's Fees	221,600	247,904	-	-
	<u>1,196,526</u>	<u>1,205,923</u>	<u>104,143</u>	<u>112,882</u>

The remuneration of directors is determined by the Waipa Networks Trust. The remuneration of the Chief Executive Officer is determined by the board having regard to the performance of the individual and market trends. The remuneration of other key management is determined by the Chief Executive Officer having regard to the performance of individuals and market trends.

26 PERFORMANCE MEASURES

All figures in the following note relate to the company (Waipa Networks Ltd) only.

Under Section 44 of the Energy Companies Act 1992, the Company is required to report its performance against targets set out in the Statement of Corporate Intent for the year. The performance of the business for the year ended 31 March 2017 is as follows:

	Target	2017	2016
Financial Performance Indicators			
Profit before interest expense and tax as a percentage of total assets	5.20%	9.12%	4.62%
Profit after tax as a percentage of equity	4.60%	12.97%	4.82%
Ratio of Equity to total assets	60.00%	59.83%	67.55%
Efficiency Performance Measures			
Maintenance costs per electricity customer	\$160	\$165	\$155
Operational expenditure per electricity customer	\$90	\$85	\$80
Energy Delivery efficiency performance measures			
Loss Ratio	6.50%	5.45%	5.45%
Network Reliability performance measures			
Faults per 100km lines (11kv)	10.8	11.5	12.3
SAIDI (average minutes per customer)	215	204	190
SAIFI (average interruptions per customer)	2.29	1.86	2.25

The Statement of Corporate Intent SAIDI and SAIFI targets are set by using one standard deviation of the average of the last five years actual performance adjusted to target a gradual improvement.

Definitions

SAIDI = the system average interruption duration index

SAIFI = the system average interruption frequency index



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26 PERFORMANCE MEASURES (Cont)

Staff Safety

Lost time work accidents per 100 employees	0.0	8.8	7.2
Percentage of hours lost per annum	0.00%	1.15%	0.44%
Total hours lost per annum	0	1,206	459

With only 57 employees each work accident equates to about 1.8 accidents per 100 employees.

Our targets for staff safety are set at zero to reinforce our company mantra "Everyone home safe every day". While zero is the target we have had five Lost Time Injuries in the year and the majority of the lost time reported (847 out of 1,206) is for one accident and 281 hours relates to prior year injuries leaving the balance of 78 hours for the four minor lost time injuries.

27 COMPARISON OF STATEMENT OF CORPORATE INTENT AND FINANCIAL RESULTS

All figures in the following note relate to the Company (Waipa Networks Ltd) only.

	Target \$	Actual \$
STATEMENT OF COMPREHENSIVE INCOME		
Line Charges	28,537,000	28,925,693
Less Discounts	3,800,000	4,354,669
Net line charges	24,737,000	24,571,024
Other Revenue	3,986,000	5,165,880
Net Revenue	28,723,000	29,736,904
Transmission	9,649,000	9,226,623
Operations	7,897,000	8,466,155
Depreciation	4,008,000	4,223,468
Operating Expenses	21,554,000	21,916,246
Profit from Operations	7,169,000	7,820,658
Interest income	1,825,000	2,101,941
Net loss on disposal of assets	60,000	(46,229)
Profit before interest expense and tax	9,054,000	9,876,370
Finance Costs	1,428,000	1,184,163
Share of net profit / (loss) of associates	-	8,784,300
Profit before tax	7,626,000	17,476,507
Tax	2,002,000	2,574,161
Profit after tax	5,624,000	14,902,346



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27 COMPARISON OF STATEMENT OF CORPORATE INTENT AND FINANCIAL RESULTS (Cont)

All figures in the following note relate to the Company (Waipa Networks Ltd) only

	Target \$	Actual \$
BALANCE SHEET		
Assets		
Property, Plant and Equipment	125,997,000	124,066,953
Intangible assets	-	4,196,871
Prepayments	-	313,791
Investments in associates	-	8,784,300
Loans to associates	46,236,000	63,335,522
Total non-current assets	172,233,000	200,697,437
Cash and cash equivalents	29,000	15,473
Trade and other receivables	2,393,000	2,572,461
Prepayments	40,000	58,052
Work in Progress	150,000	251,081
Stock	800,000	920,191
Total current assets	3,412,000	3,817,258
Total assets	175,645,000	204,514,695
Equity	113,381,000	122,360,743
Liabilities		
Employee entitlements	-	198,319
Capital Contributions in advance	2,100,000	3,337,717
Derivative financial instruments	-	100,051
Deferred tax liabilities	18,650,000	21,460,846
Borrowings	38,000,000	-
Total non-current liabilities	58,750,000	25,096,933
Trade and other payables	1,807,000	2,008,361
Borrowings	-	52,760,000
Derivative financial instruments	-	66,515
Provisions	928,000	1,659,545
Income tax payable	779,000	562,598
Total current liabilities	3,514,000	57,057,019
Total liabilities	62,264,000	82,153,952
Total equity and liabilities	175,645,000	204,514,695

Current liabilities are above target and the non current liabilities are below target due to borrowing being current rather than non current. The investment in Waikato Networks was above forecast which has required extra borrowing.



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27 COMPARISON OF STATEMENT OF CORPORATE INTENT AND FINANCIAL RESULTS (Cont)

All figures in the following note relate to the Company (Waipa Networks Ltd) only

	Target \$	Actual \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	26,772,000	26,499,488
Payments to suppliers and employees	(18,439,000)	(17,262,794)
Net GST	(99,000)	91,736
Cash generated from operations	<u>8,234,000</u>	<u>9,328,430</u>
Interest Received	-	4,875
Interest paid	(1,428,000)	(1,296,923)
Taxes Paid	<u>(1,351,000)</u>	<u>(1,860,631)</u>
Net Cash Flows from Operating Activities	5,455,000	6,175,751
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of assets	70,000	84,394
Capital contributions	1,365,000	2,868,833
Purchase of assets	(7,117,000)	(8,009,673)
Purchase of intangible assets	-	(306,412)
Purchase of investments	<u>(14,970,000)</u>	<u>(30,783,718)</u>
Net cash flows from investing activities	(20,652,000)	(36,146,576)
CASH FLOW FROM FINANCING ACTIVITIES		
Net cash flows from financing activities	<u>15,205,000</u>	<u>29,965,000</u>
Net increase (decrease) in cash held	8,000	(5,825)
Cash & cash equivalents at 1 April	21,000	21,298
Cash & cash equivalents at 31 March	<u>29,000</u>	<u>15,473</u>
CASH BALANCES IN THE BALANCE SHEET	<u>29,000</u>	<u>15,473</u>



INDEPENDENT AUDITOR'S REPORT

To the Readers of the Consolidated Financial Statements of Waipa Networks Trust.

Opinion

We have audited the consolidated financial statements of Waipa Networks Trust, on pages 2 to 20, which comprise the statement of financial position as at 31 March 2017, the statement of comprehensive income, statement of movements in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Waipa Networks Trust as at 31 March 2017 and its financial performance for the year then ended, in accordance with New Zealand equivalents to International Financial Reporting Standards Reduced Disclosure Regime (NZ IFRS RDR).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ("ISAs (NZ)"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities* section of our report. We are independent of Waipa Networks Trust and its subsidiaries in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Independence

Finn and Partners has no other relationship with, or interest in Waipa Networks Trust or its subsidiaries.

Board's Responsibility for the Financial Statements

The Board is responsible for the preparation of these financial statements in accordance with New Zealand equivalents to International Financial Reporting Standards Reduced Disclosure Regime (NZ IFRS RDR), and the requirements of the Energy Companies Act 1992, and for such internal control as the Board determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intends to liquidate the entity or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibility

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (NZ), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the use of the going concern basis of accounting by those charged with governance and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

 2/8/17
Finn & Partners
Chartered Accountants – Te Awamutu