

WAIPA NETWORKS TRUST

CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2018

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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 G G Scaramuzza (Trustee) Mr R A Reid (Trustee) |
| SECRETARY/ TREASURER: | S J Davies PO Box 34 Te Awamutu |
| BANKERS: | Westpac Alexandra Street Te Awamutu |
| SOLICITORS: | Kevin Jaffe Simpson, Grierson Auckland |
| ACCOUNTANTS: | gfa Chartered Accountants Ltd 242 Bank Street Te Awamutu |
| AUDITORS: | Finnz Chartered Accountants 486 Alexandra St Te Awamutu |

WAIPA NETWORKS TRUST
COMPREHENSIVE INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2018

| | Note | Group | | Parent | |
|---|------|-------------|------------|------------|------------|
| | | 2018 \$ | 2017 \$ | 2018 \$ | 2017 \$ |
| Revenue | 2 | 38,342,091 | 34,091,573 | - | - |
| Less Discounts | | 5,025,917 | 4,354,669 | - | - |
| Net Revenue | | 33,316,174 | 29,736,904 | - | - |
| Operating Expenses | 3 | 24,168,164 | 22,126,041 | 184,497 | 209,795 |
| Profit from Operations | | 9,148,010 | 7,610,863 | (184,497) | (209,795) |
| Investment Income | | 2,849,144 | 2,214,662 | 150,775 | 112,721 |
| Net Gain / (Loss) on Disposal of Assets | | (36,772) | (46,229) | - | - |
| Profit / (Loss) before Interest and Tax | | 11,960,382 | 9,779,296 | (33,722) | (97,074) |
| Finance Costs | 18 | 2,566,812 | 1,184,163 | - | - |
| Share of Net Profit / (Loss) of Associates | | (1,428,600) | 8,784,300 | - | - |
| Profit / (Loss) before Tax | | 7,964,970 | 17,379,433 | (33,722) | (97,074) |
| Less Tax Expense | 4 | 2,608,095 | 2,574,161 | - | - |
| Profit/(Loss) for the year | | 5,356,875 | 14,805,272 | (33,722) | (97,074) |
| Other Comprehensive Income | | | | | |
| Items that will or may be reclassified to profit or loss: | | | | | |
| Change in Fair Value of Investment in Waipa Networks Ltd | | - | - | 5,390,597 | 14,902,346 |
| Total Comprehensive Income | | 5,356,875 | 14,805,272 | 5,356,875 | 14,805,272 |

STATEMENT OF MOVEMENTS IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2018

| | | Group | | Parent | |
|---|---|-------------|-------------|-------------|-------------|
| | | 2018 \$ | 2017 \$ | 2018 \$ | 2017 \$ |
| Trust Capital | | 100 | 100 | 100 | 100 |
| Retained Earnings | | 125,625,166 | 110,819,894 | 3,264,423 | 3,361,497 |
| Revaluation Reserve | | - | - | 122,360,743 | 107,458,397 |
| Equity as at 1 April | | 125,625,266 | 110,819,994 | 125,625,266 | 110,819,994 |
| Profit / (Loss) for the Year | | 5,356,875 | 14,805,272 | (33,722) | (97,074) |
| Other Comprehensive Income for the Year | | - | - | 5,390,597 | 14,902,346 |
| Total comprehensive Income for the Year | | 5,356,875 | 14,805,272 | 5,356,875 | 14,805,272 |
| Trust Capital | 6 | 100 | 100 | 100 | 100 |
| Retained Earnings | 7 | 130,982,041 | 125,625,166 | 3,230,701 | 3,264,423 |
| Revaluation Reserve | | - | - | 127,751,340 | 122,360,743 |
| Equity as at 31 March | | 130,982,141 | 125,625,266 | 130,982,141 | 125,625,266 |

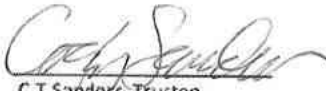
The accompanying notes form part of these financial statements.

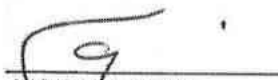


WAIPA NETWORKS TRUST
BALANCE SHEET
 FOR THE YEAR ENDED 31 MARCH 2018

| | Note | Group | | Parent | |
|--------------------------------------|------|--------------------|--------------------|--------------------|--------------------|
| | | 2018 \$ | 2017 \$ | 2018 \$ | 2017 \$ |
| ASSETS | | | | | |
| Property, Plant and Equipment | 14 | 124,905,927 | 124,069,000 | 1,530 | 2,047 |
| Intangible Assets | 15 | 4,449,286 | 4,196,871 | - | - |
| Prepayments | | 304,087 | 313,791 | - | - |
| Investments in Associates | 16 | 7,355,700 | 8,784,300 | - | - |
| Loans to Associates | 16 | 70,731,395 | 63,335,522 | - | - |
| Investment in Waipa Networks Ltd | | - | - | 127,751,340 | 122,360,743 |
| Loan to Waipa Networks Ltd | | - | - | 3,092,489 | - |
| TOTAL NON CURRENT ASSETS | | 207,746,395 | 200,699,484 | 130,845,359 | 122,362,790 |
| Cash and Cash equivalents | 8 | 269,283 | 3,322,546 | 159,753 | 3,307,073 |
| Trade and other receivables | 10 | 3,415,016 | 2,630,513 | - | - |
| Inventories | 11 | 1,415,140 | 1,171,272 | - | - |
| TOTAL CURRENT ASSETS | | 5,099,439 | 7,124,331 | 159,753 | 3,307,073 |
| TOTAL ASSETS | | 212,845,834 | 207,823,815 | 131,005,112 | 125,669,863 |
| EQUITY | | | | | |
| Trust Capital | 6 | 100 | 100 | 100 | 100 |
| Retained earnings | 7 | 130,982,041 | 125,625,166 | 3,230,701 | 3,264,423 |
| Revaluation Reserve | | - | - | 127,751,340 | 122,360,743 |
| TOTAL EQUITY | | 130,982,141 | 125,625,266 | 130,982,141 | 125,625,266 |
| LIABILITIES | | | | | |
| Employee Entitlements | 13 | 205,149 | 198,319 | - | - |
| Capital Contributions in Advance | | 3,259,775 | 3,337,717 | - | - |
| Derivative Financial Instruments | 20 | 346,835 | 100,051 | - | - |
| Deferred Taxation | 5 | 21,914,577 | 21,460,846 | - | - |
| TOTAL NON CURRENT LIABILITIES | | 25,726,336 | 25,096,933 | - | - |
| Trade and Other Payables | 12 | 3,297,590 | 3,287,741 | 22,971 | 44,597 |
| Borrowings | 9 | 51,830,000 | 52,760,000 | - | - |
| Derivative Financial Instruments | 20 | 246,457 | 66,515 | - | - |
| Employee Entitlements | 13 | 473,239 | 424,762 | - | - |
| Income Tax Payable | | 290,071 | 562,598 | - | - |
| TOTAL CURRENT LIABILITIES | | 56,137,357 | 57,101,616 | 22,971 | 44,597 |
| TOTAL LIABILITIES | | 81,863,693 | 82,198,549 | 22,971 | 44,597 |
| TOTAL EQUITY AND LIABILITIES | | 212,845,834 | 207,823,815 | 131,005,112 | 125,669,863 |

For and on behalf of the Board


 C T Sanders, Trustee
 6/8/18
 Date


 A J Bateman, Trustee
 06/08/18
 Date

The accompanying notes form part of these financial statements



WAIPA NETWORKS TRUST
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2018

| | Note | Group | | Parent | |
|---|------|----------------|------------------|----------------|------------------|
| | | 2018 \$ | 2017 \$ | 2018 \$ | 2017 \$ |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | |
| Receipts from customers | | 29,338,131 | 26,499,488 | - | - |
| Payments to suppliers and employees | | (19,180,561) | (17,448,766) | (204,595) | (185,972) |
| Net GST | | (17,964) | 91,736 | - | - |
| Cash generated from operations | | 10,139,606 | 9,142,458 | (204,595) | (185,972) |
| Interest Received | | 68,009 | 117,596 | 150,775 | 112,721 |
| Interest paid | | (1,992,767) | (1,296,923) | - | - |
| Taxes Paid | | (2,426,892) | (1,860,631) | - | - |
| Net Cash Flows from Operating Activities | 19 | 5,787,956 | 6,102,500 | (53,820) | (73,251) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | |
| Proceeds from sale of Property, Plant and Equipment | | 71,738 | 84,394 | - | - |
| Loan to Waipa Networks Ltd | | - | - | (3,092,489) | - |
| Capital contributions | | 2,407,153 | 2,868,833 | - | - |
| Purchase of Property, Plant and Equipment | | (5,407,378) | (8,011,372) | (1,012) | (1,699) |
| Purchase of intangible assets | | (275,509) | (306,412) | - | - |
| Purchase of investments | | (4,614,735) | (30,783,718) | - | - |
| Net cash flows from investing activities | | (7,818,731) | (36,148,275) | (3,093,501) | (1,699) |
| CASH FLOW FROM FINANCING ACTIVITIES | | | | | |
| Increase/(decrease) in borrowings | | (1,022,489) | 29,965,000 | - | - |
| Net cash flows from financing activities | | (1,022,489) | 29,965,000 | - | - |
| Net increase (decrease) in cash held | | (3,053,264) | (80,775) | (3,147,321) | (74,950) |
| Cash & cash equivalents at 1 April | | 3,322,546 | 3,403,321 | 3,307,073 | 3,382,023 |
| Cash & cash equivalents at 31 March | | 269,282 | 3,322,546 | 159,752 | 3,307,073 |
| CASH BALANCES IN THE BALANCE SHEET | | 269,283 | 3,322,546 | 159,753 | 3,307,073 |

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 2018

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 no change to the estimated useful lives was needed. 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 2018

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 it's 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.



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

FOR THE YEAR ENDED 31 MARCH 2018

1 STATEMENT OF ACCOUNTING POLICIES (Cont)

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.

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% |
|-------------------|---------|-----|

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.



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

FOR THE YEAR ENDED 31 MARCH 2018

1 STATEMENT OF ACCOUNTING POLICIES (Cont)

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.

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.



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

FOR THE YEAR ENDED 31 MARCH 2018

1 STATEMENT OF ACCOUNTING POLICIES (Cont)

k) Taxation (Cont)

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.

2 REVENUE

| | Group | | Parent | |
|-----------------------|-------------------|-------------------|----------|----------|
| | 2018 | 2017 | 2018 | 2017 |
| | \$ | \$ | \$ | \$ |
| Network line services | 30,985,533 | 28,925,693 | - | - |
| Contracting sales | 4,016,802 | 2,521,614 | - | - |
| Capital contributions | 2,620,399 | 2,036,997 | - | - |
| Sundry income | 73,451 | 121,375 | - | - |
| Loss rental rebates | 645,906 | 485,894 | - | - |
| Total Revenue | 38,342,091 | 34,091,573 | - | - |

3 OPERATING EXPENSES

| | | | | |
|--|-------------------|-------------------|----------------|----------------|
| Audit fees for these financial statements | 66,171 | 64,294 | 2,944 | 2,852 |
| Audit fees for disclosure financial statements | 18,000 | 17,500 | - | - |
| Trustees Fees | 87,288 | 73,949 | 87,288 | 73,949 |
| Depreciation | 4,384,854 | 4,203,088 | 1,529 | 763 |
| Amortisation of intangible assets | 23,094 | 21,143 | - | - |
| Transmission charges | 9,682,993 | 9,226,623 | - | - |
| Employee benefits | 4,982,637 | 4,549,797 | 28,597 | 30,194 |
| Directors' fees | 232,846 | 221,600 | - | - |
| Materials and Contractors | 2,772,042 | 1,962,034 | - | - |
| Bad debts | (5,000) | 1,022 | - | - |
| Change in Provision for Doubtful Debts | 30,000 | 30,000 | - | - |
| Other expenses | 1,893,239 | 1,754,992 | 64,139 | 102,038 |
| Total Expenses | 24,168,164 | 22,126,042 | 184,497 | 209,796 |



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

FOR THE YEAR ENDED 31 MARCH 2018

4 TAX

| | Group | | Parent | |
|--|-----------|-------------|----------|----------|
| | 2018 | 2017 | 2018 | 2017 |
| | \$ | \$ | \$ | \$ |
| Profit/(Loss) Before Tax | 7,964,969 | 17,379,434 | (33,722) | (97,074) |
| Tax Payable | 2,239,633 | 4,893,422 | - | - |
| Tax effect of non assessable revenue | (501,835) | (2,810,316) | - | - |
| Tax effect of expenses that are non deductible | 870,114 | 491,235 | - | - |
| Tax Expense | 2,607,912 | 2,574,341 | - | - |
| Under / (over) provision previous year | 183 | (180) | - | - |
| Adjustments Previous Years | - | - | - | - |
| Total Tax Expense | 2,608,095 | 2,574,161 | - | - |
| The Tax charge comprises: | | | | |
| -current tax | 2,154,181 | 1,953,153 | - | - |
| -prior period adjustments to current tax | 183 | (180) | - | - |
| -deferred tax on temporary differences | 453,731 | 621,188 | - | - |
| Total Tax Expense | 2,608,095 | 2,574,161 | - | - |

All temporary differences have been recorded in the financial statements

5 DEFERRED TAX

| | Group | | Parent | |
|--|------------|------------|--------|------|
| | 2018 | 2017 | 2018 | 2017 |
| | \$ | \$ | \$ | \$ |
| Balance at 1 April | 21,460,846 | 20,839,657 | - | - |
| Deferred portion of current year tax expense | 453,731 | 621,189 | - | - |
| Balance at end of year | 21,914,577 | 21,460,846 | - | - |

The tax rate used in the above reconciliation is the corporate tax rate of 28% (2017:28%) payable by corporate entities on taxable profits under New Zealand tax law.

The Deferred Taxation liability comprises of ;

| | | | | |
|---|------------|------------|---|---|
| Tax Effect on Timing differences | 257,749 | 134,227 | - | - |
| Tax effect on the Reticulation Assets being the difference between IRD Cost and IRD current Value. | 12,613,088 | 11,542,618 | - | - |
| Tax effect of the difference between the carrying amount of the Reticulation Assets and the IRD Cost of the Reticulation Assets. | 8,783,710 | 9,521,162 | - | - |
| Tax effect of the carrying amount of the Building partly constructed as at 20 May 2010 as building depreciation is non deductible for tax | 260,030 | 262,839 | - | - |
| | 21,914,577 | 21,460,846 | - | - |



WAIPA NETWORKS TRUST
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5 DEFERRED TAX (Cont)

| | Group | | Parent | |
|---|-------------------|-------------------|--------|------|
| | 2018 | 2017 | 2018 | 2017 |
| | \$ | \$ | \$ | \$ |
| <i>Deferred tax Property, plant and equipment</i> | | | | |
| Balance at 1 April | 21,751,782 | 21,263,499 | - | - |
| Charged to statement of comprehensive income | 306,729 | 488,283 | - | - |
| Charged to equity | - | - | - | - |
| Balance at 31 March | <u>22,058,511</u> | <u>21,751,782</u> | - | - |
| <i>Deferred tax employee entitlements</i> | | | | |
| Balance at 1 April | (147,945) | (136,772) | - | - |
| Charged to statement of comprehensive income | (11,892) | (11,173) | - | - |
| Charged to equity | - | - | - | - |
| Balance at 31 March | <u>(159,837)</u> | <u>(147,945)</u> | - | - |
| <i>Deferred tax other</i> | | | | |
| Balance at 1 April | (142,991) | (287,070) | - | - |
| Charged to statement of comprehensive income | 158,894 | 144,079 | - | - |
| Charged to equity | - | - | - | - |
| Balance at 31 March | <u>15,903</u> | <u>(142,991)</u> | - | - |
| <i>Deferred tax total</i> | | | | |
| Balance at 1 April | 21,460,846 | 20,839,657 | - | - |
| Charged to statement of comprehensive income | 453,731 | 621,189 | - | - |
| Charged to equity | - | - | - | - |
| Balance at 31 March | <u>21,914,577</u> | <u>21,460,846</u> | - | - |

6 TRUST CAPITAL

| | Group | | Parent | |
|------------------------------|------------|------------|------------|------------|
| | 2018 | 2017 | 2018 | 2017 |
| | \$ | \$ | \$ | \$ |
| 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 | 125,625,166 | 110,819,894 | 3,264,523 | 3,361,597 |
| Net Surplus after Taxation | 5,356,875 | 14,805,272 | (33,722) | (97,074) |
| Balance at end of year | <u>130,982,041</u> | <u>125,625,166</u> | <u>3,230,801</u> | <u>3,264,523</u> |

8 CASH AND CASH EQUIVALENTS

| | | | | |
|------------------------|----------------|------------------|----------------|------------------|
| Current Account | 139,103 | 172,546 | 29,753 | 157,073 |
| Short Term Investments | 130,000 | 3,150,000 | 130,000 | 3,150,000 |
| | <u>269,103</u> | <u>3,322,546</u> | <u>159,753</u> | <u>3,307,073</u> |

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



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| | Group | | Parent | |
|---|------------|------------|--------|--------|
| | 2018 | 2017 | 2018 | 2017 |
| | \$ | \$ | \$ | \$ |
| 9 BORROWINGS | | | | |
| Debt Facility | 51,830,000 | 52,760,000 | - | - |
| | 51,830,000 | 52,760,000 | - | - |
| | | | | |
| <p>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.</p> <p>The carrying amount for borrowings equals the fair value.</p> | | | | |
| 10 TRADE AND OTHER RECEIVABLES | | | | |
| Trade receivables | 3,436,950 | 2,634,863 | - | - |
| Trade debtors from Related Parties | 2,578 | 2,595 | - | - |
| Provision for Doubtful Debts | (95,000) | (65,000) | - | - |
| | 3,344,528 | 2,572,458 | - | - |
| Accrued Income | - | 3 | - | - |
| Prepayments | 70,488 | 58,052 | - | - |
| | 3,415,016 | 2,630,513 | - | - |
| <p>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.</p> | | | | |
| 11 INVENTORIES | | | | |
| Stock | 1,267,273 | 920,191 | - | - |
| Work in Progress | 147,867 | 251,081 | - | - |
| | 1,415,140 | 1,171,272 | - | - |
| 12 TRADE AND OTHER PAYABLES | | | | |
| Accounts payable and accruals-trade | 2,195,852 | 1,994,379 | 22,971 | 44,597 |
| Capital Contributions in advance | 1,099,479 | 1,234,783 | - | - |
| Payables to directors | 2,259 | 58,579 | - | - |
| | 3,297,590 | 3,287,741 | 22,971 | 44,597 |
| 13 EMPLOYEE ENTITLEMENTS | | | | |
| Current employee entitlements | 473,239 | 424,762 | - | - |
| Non current employee entitlements | 205,149 | 198,319 | - | - |
| Total employee entitlements | 678,388 | 623,081 | - | - |



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| | Group | | Parent | |
|---|--------------------|--------------------|--------|------|
| | 2018 | 2017 | 2018 | 2017 |
| | \$ | \$ | \$ | \$ |
| 14 PROPERTY, PLANT & EQUIPMENT (Cont) | | | | |
| Freehold Land | | | | |
| Cost to 1 April | 1,252,334 | 1,252,334 | - | - |
| Current year additions | - | - | - | - |
| Current year disposals | - | - | - | - |
| Cost to 31 March | <u>1,252,334</u> | <u>1,252,334</u> | - | - |
| Freehold Buildings | | | | |
| Cost to 1 April | 2,804,238 | 2,799,791 | - | - |
| Accumulated Depreciation to 1 April | <u>186,081</u> | <u>157,798</u> | - | - |
| Net Book Value 1 April | 2,618,157 | 2,641,993 | - | - |
| Current year additions | - | 4,447 | - | - |
| Current year disposals | - | - | - | - |
| Current year depreciation | 28,298 | 28,284 | - | - |
| Cost to 31 March | 2,804,238 | 2,804,238 | - | - |
| Accumulated Depreciation to 31 March | <u>214,380</u> | <u>186,082</u> | - | - |
| Net Book Value | <u>2,589,858</u> | <u>2,618,156</u> | - | - |
| Building Fitout | | | | |
| Cost to 1 April | 3,169,738 | 3,159,878 | - | - |
| Accumulated Depreciation to 1 April | <u>1,494,617</u> | <u>1,263,904</u> | - | - |
| Net Book Value 1 April | 1,675,121 | 1,895,974 | - | - |
| Current year additions | 880 | 16,834 | - | - |
| Current year disposals | - | 2,615 | - | - |
| Current year depreciation | 235,746 | 235,072 | - | - |
| Cost to 31 March | 3,170,617 | 3,169,738 | - | - |
| Accumulated Depreciation to 31 March | <u>1,730,362</u> | <u>1,494,617</u> | - | - |
| Net Book Value | <u>1,440,255</u> | <u>1,675,121</u> | - | - |
| Reticulation Assets | | | | |
| Cost to 1 April | 143,050,868 | 136,547,200 | - | - |
| Accumulated Depreciation to 1 April | <u>29,304,626</u> | <u>26,024,405</u> | - | - |
| Net Book Value 1 April | 113,746,242 | 110,522,795 | - | - |
| Current year additions | 4,778,673 | 6,562,911 | - | - |
| Current year disposals | 56,375 | 32,127 | - | - |
| Current year depreciation | 3,466,444 | 3,307,337 | - | - |
| Cost to 31 March | 147,705,679 | 143,050,868 | - | - |
| Accumulated Depreciation to 31 March | <u>32,703,583</u> | <u>29,304,626</u> | - | - |
| Net Book Value | <u>115,002,096</u> | <u>113,746,242</u> | - | - |
| Capital work in progress included in cost & net book amount | <u>800,665</u> | <u>698,045</u> | - | - |



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| | Group | | Parent | |
|---|--------------------|--------------------|--------------|--------------|
| | 2018 | 2017 | 2018 | 2017 |
| | \$ | \$ | \$ | \$ |
| 14. PROPERTY, PLANT & EQUIPMENT (Cont) | | | | |
| Other Electrical Assets | | | | |
| Cost to 1 April | 4,167,671 | 4,195,070 | - | - |
| Accumulated Depreciation to 1 April | 1,759,478 | 1,681,555 | - | - |
| Net Book Value 1 April | 2,408,193 | 2,513,515 | - | - |
| Current year additions | 10,039 | 51,600 | - | - |
| Current year disposals | - | 79,000 | - | - |
| Current year depreciation | 78,684 | 77,922 | - | - |
| Cost to 31 March | 4,177,709 | 4,167,671 | - | - |
| Accumulated Depreciation to 31 March | 1,838,161 | 1,759,478 | - | - |
| Net Book Value | 2,339,548 | 2,408,193 | - | - |
| Motor Vehicles | | | | |
| Cost to 1 April | 4,894,234 | 4,646,282 | - | - |
| Accumulated Depreciation to 1 April | 3,149,655 | 2,879,956 | - | - |
| Net Book Value 1 April | 1,744,579 | 1,766,326 | - | - |
| Current year additions | 365,292 | 405,313 | - | - |
| Current year disposals | 46,527 | 15,978 | - | - |
| Current year depreciation | 431,859 | 411,082 | - | - |
| Cost to 31 March | 5,054,834 | 4,894,234 | - | - |
| Accumulated Depreciation to 31 March | 3,423,349 | 3,149,655 | - | - |
| Net Book Value | 1,631,485 | 1,744,579 | - | - |
| Plant, Furniture and Fittings | | | | |
| Cost to 1 April | 3,189,025 | 3,081,406 | 4,761 | 4,330 |
| Accumulated Depreciation to 1 April | 2,564,650 | 2,436,802 | 2,714 | 3,173 |
| Net Book Value 1 April | 624,375 | 644,604 | 2,047 | 1,157 |
| Current year additions | 175,445 | 124,103 | 1,049 | 1,699 |
| Current year disposals | 5,647 | 2,163 | 38 | 1,268 |
| Current year depreciation | 143,823 | 143,391 | 1,529 | 763 |
| Cost to 31 March | 3,336,823 | 3,189,025 | 5,081 | 4,761 |
| Accumulated Depreciation to 31 March | 2,686,472 | 2,564,650 | 3,551 | 2,714 |
| Net Book Value | 650,351 | 624,375 | 1,530 | 2,047 |
| Total Net Book Value | 124,905,927 | 124,069,000 | 1,530 | 2,047 |



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| | Group | | Parent | |
|---|------------------|------------------|----------|----------|
| | 2018 | 2017 | 2018 | 2017 |
| | \$ | \$ | \$ | \$ |
| 15 INTANGIBLE ASSETS | | | | |
| Software | | | | |
| Cost to 1 April | 393,224 | 388,525 | - | - |
| Accumulated Amortisation to 1 April | 350,167 | 329,024 | - | - |
| Net Book Value 1 April | 43,057 | 59,501 | - | - |
| Current year additions | 24,199 | 4,699 | - | - |
| Current year amortisation | 23,094 | 21,143 | - | - |
| Cost to 31 March | 417,422 | 393,224 | - | - |
| Accumulated Amortisation to 31 March | 373,260 | 350,167 | - | - |
| Net Book Value | 44,162 | 43,057 | - | - |
| Goodwill | | | | |
| Cost to 1 April | 62,020 | 62,020 | - | - |
| Accumulated impairment to 1 April | 62,020 | 62,020 | - | - |
| Net Book Value 1 April | - | - | - | - |
| Current year additions | - | - | - | - |
| Current year amortisation | - | - | - | - |
| Cost to 31 March | 62,020 | 62,020 | - | - |
| Accumulated Impairment to 31 March | 62,020 | 62,020 | - | - |
| Net Book Value | - | - | - | - |
| Easements | | | | |
| Cost to 1 April | 4,153,814 | 3,852,100 | - | - |
| Accumulated impairment to 1 April | - | - | - | - |
| Net Book Value 1 April | 4,153,814 | 3,852,100 | - | - |
| Current year additions | 251,310 | 301,714 | - | - |
| Current year impairment | - | - | - | - |
| Cost to 31 March | 4,405,124 | 4,153,814 | - | - |
| Accumulated Impairments to 31 March | - | - | - | - |
| Net Book Value | 4,405,124 | 4,153,814 | - | - |
| Capital work in progress included in cost and net book amount | 213,840 | 2,571,300 | - | - |
| Total Net Book Value | 4,449,286 | 4,196,871 | - | - |



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| | Group | | Parent | |
|---|------------------------|------------|--------|------|
| | 2018 | 2017 | 2018 | 2017 |
| | \$ | \$ | \$ | \$ |
| 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 | 7,355,700 | 8,784,300 | - | - |
| Loans to Associates | | | | |
| Waikato Networks Limited | | | | |
| Loans as at 1 April | 63,335,522 | 30,454,693 | - | - |
| Loans advanced during year | 4,614,735 | 30,783,718 | - | - |
| Loan repayments received | - | - | - | - |
| Interest charged | 2,781,138 | 2,097,111 | - | - |
| Interest received | - | - | - | - |
| Loans as at 31 March | 70,731,395 | 63,335,522 | - | - |

Interest is charged on the loan at 4.07% pa (2017 4.17% pa) and the loan has no predetermined settlement date. The loan is unsecured and the interest rates are as at balance date.

| | | | | |
|--|------------|------------|--------|--------|
| | 78,087,095 | 72,119,822 | - | - |
| 17 EMPLOYEE BENEFITS | | | | |
| Superannuation - defined contribution plans | 122,394 | 116,347 | - | - |
| Other Employee benefits included in operating expenses | 4,860,243 | 4,403,256 | 28,597 | 30,194 |
| Other Employee benefits capitalised to Property, Plant and Equipment | 462,312 | 537,611 | - | - |
| Total Employee benefits | 5,444,949 | 5,057,214 | 28,597 | 30,194 |
| 18 FINANCE COSTS | | | | |
| Bank Borrowing costs | 2,140,086 | 1,552,811 | - | - |
| Less Interest Capitalised on Construction of Property, Plant and Equipment | - | 191,953 | - | - |
| Less Interest rate swaps - cashflow hedges | 426,726 | 176,695 | - | - |
| Total Employee benefits | 2,566,812 | 1,841,163 | - | - |



WAIPA NETWORKS TRUST
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| | Group 2018 \$ | Group 2017 \$ | Parent 2018 \$ | Parent 2017 \$ |
|---|---------------------|---------------------|----------------------|----------------------|
| 19 RECONCILIATION OF NET SURPLUS TO NET CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Reported Profit/(Loss) after tax | 5,356,875 | 14,805,272 | (33,722) | (97,074) |
| Add (Less) Non Cash Items: | - | - | - | - |
| Depreciation | 4,384,854 | 4,203,088 | 1,529 | 763 |
| Amortisation of Intangible Assets | 23,094 | 21,143 | - | - |
| Impairment on Goodwill | - | - | - | - |
| Unrealised Interest rate swaps-loss/(gain)hedges | 426,726 | (176,695) | - | - |
| Increase (Decrease) in deferred tax | 453,731 | 621,189 | - | - |
| Increase in Term Employee entitlements | 6,830 | 3,484 | - | - |
| | <u>10,652,110</u> | <u>19,477,481</u> | <u>(32,193)</u> | <u>(96,311)</u> |
| Add (Less) Movements in Working Capital Items | | | | |
| Decrease (increase) in Tax Receivables | (272,527) | 92,342 | - | - |
| Decrease (increase) in Trade and Other Receivables | (784,503) | (568,977) | - | - |
| Decrease (increase) in Inventories | (243,868) | (111,284) | - | - |
| Increase (Decrease) in Trade and Other Payables | (66,139) | (237,726) | (42,785) | 23,014 |
| Increase (Decrease) in Interest Expense Accrual | 54,829 | 63,935 | - | - |
| Increase (Decrease) in Employee Entitlements | 69,635 | 60,785 | 21,158 | - |
| | <u>(1,242,573)</u> | <u>(700,925)</u> | <u>(21,627)</u> | <u>23,014</u> |
| | 9,409,537 | 18,776,556 | (53,820) | (73,297) |
| Add (Less) Items Classified as Investing Activities | | | | |
| Net Loss on Disposal of Assets | 36,772 | 46,275 | - | 46 |
| Increase (Decrease) in Creditors for Property, Plant and Equipment | 77,087 | 846,155 | - | - |
| Share of net profit(loss) of associates | 1,428,600 | (8,784,300) | - | - |
| Capital Contributions | (2,485,095) | (2,694,780) | - | - |
| Decrease/(Increase) in Prepayments | 9,704 | 9,705 | - | - |
| Interest added to investment | (2,688,649) | (2,097,111) | - | - |
| | <u>(3,621,581)</u> | <u>(12,674,056)</u> | <u>-</u> | <u>46</u> |
| Add (Less) Items Classified as Financing Activities | | | | |
| Interest added to Related Party Borrowings | - | - | - | - |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net Cash Inflows from Operating Activities | <u>5,787,956</u> | <u>6,102,500</u> | <u>(53,820)</u> | <u>(73,251)</u> |



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| Group 2018 \$ | Group 2017 \$ | Parent 2018 \$ | Parent 2017 \$ |
|---------------------|---------------------|----------------------|----------------------|
|---------------------|---------------------|----------------------|----------------------|

20 DERIVATIVE FINANCIAL INSTRUMENTS

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

| | | | | |
|---|----------------|----------------|----------|----------|
| Current interest rate swaps - cash flow hedges | 246,457 | 66,515 | - | - |
| Non current interest rate swaps - cash flow hedges | 346,835 | 100,051 | - | - |
| Total interest rate swaps - cash flow hedges | 593,292 | 166,566 | - | - |

The principal amounts of the outstanding interest rate swap contracts at 31 March 2018 were \$48 million (2017 \$38 million). Gains and losses in movement of fair value for future cashflows are recognised in finance costs.

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 17% (2017:19%) of total sales and 17% (2017:21%) 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 2018 (2017: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 2018 (2017:\$Nil).

There are commitments for future capital expenditure of \$251,073 as at 31 March 2018 (2017:\$387,275).

Pursuant to the Waikato Networks Limited shareholders agreement there is a commitment for capital requirements and the guarantee obligations during the next 3 years which will if required either be funded from operating profit, current debt or long term debt.



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23 SEGMENTAL REPORTING

The Company financial statements are based on the information that internally is provided to the CEO, who is the Group's chief operating decision maker. 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 4 (2017: 3) customers of \$19,891,204 (2017: \$14,818,787) represents 52% (2017: 43%) 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

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.

| | 2018 | 2017 |
|--|------------|------------|
| Related Party Transactions with Waikato Networks Ltd: | \$ | \$ |
| Interest income (capitalised to loan) | 2,781,138 | 2,097,111 |
| Revenue received to make ready poles for attachment of fibre | 2,196 | 4,851 |
| Revenue received for pole rental | 11,222 | 27,200 |
| Trade Debtors | - | 2,595 |
| Loan | 70,731,395 | 63,335,522 |
| Related Party Transactions with Ultrafast Fibre Ltd: | | |
| Revenue received to make ready poles for attachment to fibre | 3,909 | - |
| Revenue received for pole rental | 15,700 | - |
| Trade Debtors | 2,578 | - |
| 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 2018 or 2017.

| | Group | Group | Parent | Parent |
|--|------------------|------------------|----------------|----------------|
| | 2018 | 2017 | 2018 | 2017 |
| Remuneration of Key Management Personnel | \$ | \$ | \$ | \$ |
| Short term employee benefits | 917,147 | 870,783 | - | - |
| Post-employment benefits | - | - | - | - |
| Secretary & Trustees Fees | 115,885 | 104,143 | 115,885 | 104,143 |
| Director's Fees | 232,846 | 221,600 | - | - |
| | <u>1,265,878</u> | <u>1,196,526</u> | <u>115,885</u> | <u>104,143</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.



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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 2018 is as follows:

| | Target | 2018 | 2017 |
|--|--------|--------|--------|
| Financial Performance Indicators | | | |
| Profit before interest expense and tax as a percentage of total assets | 4.70% | 5.01% | 9.12% |
| Profit after tax as a percentage of equity | 4.70% | 4.31% | 12.97% |
| Ratio of Equity to total assets | 55.00% | 60.07% | 59.83% |
| Efficiency Performance Measures | | | |
| Maintenance costs per electricity customer | \$170 | \$173 | \$165 |
| Operational expenditure per electricity customer | \$90 | \$85 | \$85 |
| Energy Delivery efficiency performance measures | | | |
| Loss Ratio | 6.50% | 5.09% | 5.45% |
| Network Reliability performance measures | | | |
| Faults per 100km lines (11kv) | 10.8 | 11.0 | 11.5 |
| SAIDI (average minutes per customer) | 214 | 217 | 204 |
| SAIFI (average interruptions per customer) | 2.28 | 1.81 | 1.86 |

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

Staff Safety

| | | | |
|---|-------|-------|-------|
| Lost time work accidents per 100 employees* | 0.0 | 8.7 | 8.8 |
| Percentage of hours lost per annum | 0.00% | 0.47% | 1.15% |
| Total hours lost per annum | 0 | 504 | 1,206 |

The Company is disputing an injury with ACC, we consider it to be a medical cause not a workplace accident and therefore not included above. The impact of this would be 1.7 Lost Time Work Accidents per 100 employees and 56 lost time hours.

*With only 57.5 employees each work accident equates to about 1.7 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 resulting in 504 hours of lost time.



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

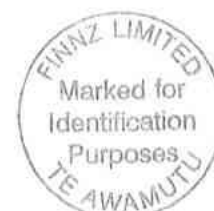
FOR THE YEAR ENDED 31 MARCH 2018

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 | 30,072,000 | 30,985,533 |
| Less Discounts | 4,800,000 | 5,025,917 |
| Net line charges | <u>25,272,000</u> | <u>25,959,616</u> |
| Other Revenue | 4,798,000 | 7,356,558 |
| Net Revenue | <u>30,070,000</u> | <u>33,316,174</u> |
| Transmission Operations Depreciation | 9,705,000 8,577,000 4,295,000 | 9,682,993 9,894,255 4,406,419 |
| Operating Expenses | <u>22,577,000</u> | <u>23,983,667</u> |
| Profit from Operations | <u>7,493,000</u> | <u>9,332,507</u> |
| Interest income | 2,919,000 | 2,790,858 |
| Net loss on disposal of assets | 60,000 | (36,772) |
| Profit before interest expense and tax | <u>10,472,000</u> | <u>12,086,593</u> |
| Finance Costs | 2,473,000 | 2,659,301 |
| Share of net profit / (loss) of associates | - | -1,428,600 |
| Profit before tax | <u>7,999,000</u> | <u>7,998,692</u> |
| Tax | 2,037,000 | 2,608,095 |
| Profit after tax | <u><u>5,962,000</u></u> | <u><u>5,390,597</u></u> |

Other revenue and operating costs are above target due to increased contracting work. Profit before tax is under target due to share of loss in associates.



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

FOR THE YEAR ENDED 31 MARCH 2018

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 | 127,796,000 | 124,904,397 |
| Intangible assets | - | 4,449,286 |
| Prepayments | - | 304,087 |
| Investments in associates | - | 7,355,700 |
| Loans to associates | 74,693,000 | 70,731,395 |
| Total non-current assets | 202,489,000 | 207,744,865 |
| Cash and cash equivalents | 86,000 | 109,530 |
| Trade and other receivables | 2,557,000 | 3,344,528 |
| Prepayments | 40,000 | 70,488 |
| Work in Progress | 150,000 | 147,867 |
| Stock | 800,000 | 1,267,273 |
| Total current assets | 3,633,000 | 4,939,686 |
| Total assets | 206,122,000 | 212,684,551 |
| Equity | 119,343,000 | 127,751,340 |
| Liabilities | | |
| Employee entitlements | - | 205,149 |
| Capital Contributions in advance | 3,113,000 | 3,259,775 |
| Derivative financial instruments | - | 346,835 |
| Deferred tax liabilities | 18,344,000 | 21,914,577 |
| Borrowings | 61,600,000 | - |
| Total non-current liabilities | 83,057,000 | 25,726,336 |
| Trade and other payables | 1,930,000 | 2,175,140 |
| Borrowings | - | 54,922,489 |
| Derivative financial instruments | - | 246,457 |
| Provisions | 924,000 | 1,572,718 |
| Income tax payable | 868,000 | 290,071 |
| Total current liabilities | 3,722,000 | 59,206,875 |
| Total liabilities | 86,779,000 | 84,933,211 |
| Total equity and liabilities | 206,122,000 | 212,684,551 |

Investment in associates and equity are above target due to share of profit from associates for the 2016/17 year. Current liabilities are above target and the non current liabilities are below target due to borrowing being current rather than non current.



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

FOR THE YEAR ENDED 31 MARCH 2018

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 | 27,607,000 | 29,338,131 |
| Payments to suppliers and employees | (17,814,000) | (18,975,966) |
| Net GST | (99,000) | (17,964) |
| Cash generated from operations | <u>9,694,000</u> | <u>10,344,201</u> |
| | | |
| Interest Received | - | 9,723 |
| Interest paid | (2,473,000) | (2,085,256) |
| Taxes Paid | <u>(2,253,000)</u> | <u>(2,426,892)</u> |
| | | |
| Net Cash Flows from Operating Activities | 4,968,000 | 5,841,776 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from sale of assets | 80,000 | 71,738 |
| Capital contributions | 1,998,000 | 2,407,153 |
| Purchase of assets | (6,090,000) | (5,406,366) |
| Purchase of intangible assets | - | (275,509) |
| Purchase of investments | <u>(8,150,000)</u> | <u>(4,614,735)</u> |
| Net cash flows from investing activities | (12,162,000) | (7,817,719) |
| CASH FLOW FROM FINANCING ACTIVITIES | | |
| Increase in borrowings | <u>7,257,000</u> | <u>2,700,000</u> |
| Net cash flows from financing activities | 7,257,000 | 2,700,000 |
| | | |
| Net increase (decrease) in cash held | 63,000 | 94,057 |
| Cash & cash equivalents at 1 April | <u>23,000</u> | <u>15,473</u> |
| | | |
| Cash & cash equivalents at 31 March | <u><u>86,000</u></u> | <u><u>109,530</u></u> |
| | | |
| CASH BALANCES IN THE BALANCE SHEET | <u><u>86,000</u></u> | <u><u>109,530</u></u> |

Receipts from customers and payments to suppliers are above target due to increased contracting work. Purchase of investments and borrowing are below target due to deduced funding requirements from associates.



INDEPENDENT AUDITOR'S REPORT

To the Trustees of Waipa Networks Trust

Opinion

We have audited the consolidated financial statements of Waipa Networks Trust, and its controlled entity (together as the Group) on pages 2 to 23, which comprise the statement of financial position as at 31 March 2018, statement of comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of Waipa Networks Trust, and the consolidated financial statements of the Group present fairly, in all material respects, the financial position of the Trust and the Group as at 31 March 2018, and their financial performance and cash flows 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 for the audit of the financial statements* section of our report. We are independent of the Trust and Group 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 opinion.

Other than in our capacity as auditor, we have no relationship with or interests in Waipa Networks Trust or its controlled entity.

Restriction on Responsibility

This report is made solely to the Trustees. Our audit work has been undertaken so that we might state to them those matters we are required to state to them in an auditor's 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 Trustees, for our audit work, for this report, or for the opinions we have formed.

Responsibility of the Trustees for the Financial Statements

The Trustees are responsible for the preparation of these financial statements in accordance with NZ IFRS RDR, and for such internal control as the Trustees 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 Trustees are responsible for assessing the Trust and Group'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 Trustees either intend to liquidate the Trust and Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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.

A further description of the auditor's responsibilities for the audit of the financial statements is located at the External Reporting Board's website at:

<https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-7/>

A handwritten signature in black ink, appearing to be 'Gaut', written in a cursive style.

Finnz Ltd
Chartered Accountants
Te Awamutu
7 August 2018