



Waipa Networks Limited
Statement of Corporate Intent
For the Year Ended
31 March 2015



Table of Contents

INTRODUCTION	3	
A	OBJECTIVES OF WAIPA NETWORKS	4
	Commercial	4
	Energy Efficiency	5
	Customer Service	6
	Security of Supply	6
	Compliance Issues	7
	Social and Community	8
	Staff	8
B	RELATIONSHIP WITH TRUST	9
C	NATURE AND SCOPE OF ACTIVITIES TO BE UNDERTAKEN	10
D	CAPITAL RATIO	10
E	ACCOUNTING POLICIES	10
F	PERFORMANCE TARGETS	11
G	PROCEDURES FOR THE SUBSCRIPTION, ACQUISITION AND DISPOSAL OF SHARES	11
H	DIVIDEND POLICY	12
I	DISCOUNTS	12
J	REPORTING TO SHAREHOLDERS	13
Appendix 1	Notes to Financial Results	14
Appendix 2	Key Assumptions in Financial Forecasts	19
	Income Statements – History and Forecasts	20
	Balance Sheet - History and Forecasts	21
	Statement of Cash Flows - History and Forecasts	22
	Key Performance Targets - History and Forecasts	23

INTRODUCTION

This Statement of Corporate Intent sets out the Company's intentions and objectives for the financial year ending 31 March 2015 and the two succeeding financial years.

Waipa Networks dream is:

“To be recognised in our community as a leader in life improving energy services and solutions.”

And our focus is to:

“Deliver power safely all day every day.”

Our Greatest Imaginable Challenge is:

“Connected Consumers to receive a distribution equivalent to the total Waipa Networks line charges.”

The primary objective of the Company is to be a successful business. It will do this by:

- providing customers with outstanding service and solutions,
- providing value for money,
- operating in an environmentally friendly and sustainable fashion,
- pricing Line Function Services to achieve sustainable profit levels,
- being aware of technological changes which could impact the business model, and
- having regard to the efficient use of energy.

Throughout this document reference is made to Shareholders. The Shareholders are the Waipa Networks Trustees who hold 100% of shares in Waipa Networks for and on behalf of Connected Consumers.

The Company seeks to be a top performing lines company exercising a philosophy appropriate to its ownership structure, a safe and good employer, and a good corporate citizen.

A OBJECTIVES OF WAIPA NETWORKS

Commercial

Waipa Networks is committed to operating a successful business to further the interests of its Connected Consumers, including the achievement of its Greatest Imaginable Challenge.

The Board of Directors will ensure Waipa Networks effects appropriate strategies for its long term success as an Electricity Network business in New Zealand.

To protect the value of the Shareholders' investment Waipa Networks will:

- Undertake new investments which over their life will increase the commercial value of the business. Undergrounding network assets for environmental and security of supply reasons may override this objective.
- Keep abreast of technology with the ability to impact on our business, develop strategies to respond appropriately to these challenges and exploit the opportunities they present.
- Establish a portfolio of unregulated businesses.
- Ensure the addition of new distribution capacity will be matched as closely as possible to actual and forecast market demand.
- Focus on reducing operating costs and optimising use of capital to achieve commercial efficiency and effectiveness while at all times providing outstanding service and solutions.
- Prudently manage assets, liabilities, risks and costs.
- Manage an efficient and competitive contracting division to install services within Waipa Networks' distribution area and beyond.
- Seek new business opportunities in life improving energy services and solutions, building on the core competencies of network design, management and network utility contracting.
- Preserve the Company's commercial position at the time of any regulatory reset, and maintain Company value.

The 2014 SCI advised:

The Capital of the Company will be fully committed to further investment in Waikato Networks Limited and building a second supply line for Te Awamutu for the duration of this SCI and beyond. Seeking new investments in non-regulated businesses is therefore in abeyance at this time.

This continues to be the case. During the last twelve months the Company has increased its investment in Waikato Networks Limited and made good progress on its planning, engineering and consultation with landowners and other stakeholders defining the route for the second supply line for Te Awamutu.

Energy Efficiency

Waipa Networks believes energy efficiency is desirable to ensure affordable and reliable supplies of energy are available for consumers in the future. This is important in helping us achieve our dream of being recognised in our community as a leader in life improving energy services and solutions.

- When purchasing new network assets Waipa Networks will base its decisions on the total life time costs including energy losses.
- The use of energy efficient technology will be encouraged.

Specific targets for 2014 were:

- Continue to measure the carbon footprint for the Harrison Drive depot.
(Achieved)
- Continue to develop strategies to reduce our overall carbon footprint.
(In progress)
- Invest up to \$200,000 p.a. in energy efficiency initiatives in partnership with the Trust and EECA.
(Achieved. The Healthier Homes Programme began in October 2013 and has insulated more than 50 homes).
- Create new environmental targets
(In progress)

In August 2013 the depot was audited as part of the Enviro-mark® programme and was recertified to the Gold standard. This included the Company's Waikato Tree Services division.

A new Environmental Management System (EMS) was introduced in November 2012 and an Environmental Committee established to manage it. Reporting systems and review processes were implemented. A focus for the Committee is to set and achieve tangible targets in the coming 2014/15 year. The EMS is due to be integrated into Health & Safety systems in the 2014/15 year to improve traction in this area.

In addition in the last year the Company has:

- Advised consumers through traditional paper media on:
 - Energy efficiency
 - Energy conservation
- Purchased transformers based on their lifetime costs including the energy costs.
- Constructed and re-conducted distribution lines to reduce losses as appropriate.

Specific targets for 2015 are:

- ❖ Continue to measure the carbon footprint for the Harrison Drive depot.
- ❖ Continue to develop strategies to reduce our overall carbon footprint.
- ❖ Invest up to \$200,000 p.a. in energy efficiency initiatives in partnership with the Trust and EECA.
- ❖ Create new environmental targets
- ❖ Integrate the Environmental Management System into the Health & Safety systems.

Customer Service

Waipa Networks believes in providing outstanding service and solutions to both Energy Retailers and Connected Consumers.

- Waipa Networks will not discriminate between Energy Retailers accessing and using the distribution network and will seek to maintain good working relationships at all times.
- Development of business systems and staff training will continue to reinforce the culture of the organisation to maintain the focus on our community as being “a part of us”.
- If a customer relationship breaks down seek an early resolution to the problem; and provide a free dispute service through the Electricity and Gas Complaints Commissioner.

Specific targets for 2014 were:

- Resolve 95% of complaints using the Company’s Complaints Resolution Process without escalation to the Electricity and Gas Complaints Commissioner.
(Achieved)
- Achieve a minimum 90% overall satisfaction rating in the annual independent customer survey.
(Achieved)

In the last year the Company has:

- Continued an upgrade of information systems to allow field service staff to locate customer properties and resolve power faults sooner.
- Negotiated the first Use of System Agreements based on the Electricity Authorities Model with one large and two small energy retailers.

Specific targets for 2015 are:

- ❖ Resolve 95% of complaints using the Company’s Complaints Resolution Process without escalation to the Electricity and Gas Complaints Commissioner.
- ❖ Achieve a minimum 90% overall satisfaction rating in the annual independent customer survey.
- ❖ Continue to negotiate updated Use of System Agreements with energy retailers.

Security of Supply

Waipa Networks will provide a reliable electricity distribution network as detailed in Appendix 2. It will seek to do this by prudent investment in:

- The management of trees close to power lines.
- Employing Live Line working techniques.
- Distribution system automation.
- Appropriate security of supply for all customers.

Specific targets for 2014 were:

- Continue work on the second supply for Te Awamutu with the aim of commissioning it before the next Transpower planned outage on their line in 2016.
(Project on target to achieve 2016 completion date)

- Continue asset surveys, preventative maintenance and tree cutting on the network.
(Achieved)
- Install automation devices to further sectionalise the network.
(Achieved)
- Accelerate the replacement of older switching equipment and transformers.
(Achieved)

In addition the Company has:

- Signed a Customer Investment Contract with Transpower for all work necessary to connect the second 110kV supply line for Te Awamutu.
- Commissioned the new 11kV switchboard a Cambridge GXP.

Specific targets for the next twelve months are:

- ❖ Continue work on the second supply for Te Awamutu with the aim of commissioning it before the next Transpower planned outage on their line in 2016.
- ❖ Continue asset surveys, preventative maintenance and tree cutting on the network.
- ❖ Install automation devices to further sectionalise the network.
- ❖ Continue the replacement of older switching equipment and transformers.

Compliance Issues

The Directors will continue to monitor compliance programmes based on monthly Management Reports aimed at ensuring Waipa Networks meets its obligations under all relevant legislation and regulations.

Compliance with regulations, and prudent management of regulatory risk, will be taken into account by the Company's strategic thinking and management.

Specific targets for 2014 were:

- To continue to have good relationships with industry regulators.
(Achieved)
- Continue to meet all compliance requirements.
(Achieved)

In addition in the last year the Company has:

- Successfully completed the first audit requirements for the Public Safety Management System.
- Been independently audited for all relevant compliance issues under the Enviro-Mark scheme. (Gold.)
- Directly, or in combination with other electricity lines businesses, made submissions to various discussion papers issued by the Commerce Commission and Electricity Authority.

Specific targets for the next twelve months are:

- ❖ To continue to have good relationships with industry regulators.
- ❖ Continue to meet all compliance requirements.

Social and Community

Waipa Networks will operate in a manner which actively reflects the Company's sensitivity to our social, cultural and natural environment. The Company believes we are part of our community. A good relationship is therefore considered an essential element of the business; Waipa Networks will achieve this by:

- Maintaining a portfolio of sponsorships.
- Communicating with all stakeholders.
- Developing and promoting an environmental policy.
- Increasing public awareness of who we are and what we do.
- Being acknowledged as a good corporate citizen.
- Conducting opinion surveys of connected consumers.
- Providing customers with outstanding service and solutions.
- Providing value for money.

Waipa Networks will undertake consultation with the Shareholders on all social and cultural issues which the Board of Directors considers will significantly affect the greater community.

Specific targets for 2014 were:

- Market Green Credentials to local community.
(Achieved)
- Promote our photovoltaic generation on our smart home web site and elsewhere.
(Achieved)

In addition the Company has:

- Maintained our portfolio of sponsorships.
- Published brochures on the tree regulations and a newsletter updating customers on items of interest.
- Maintained our "Smart Home" website.

Specific targets for the next twelve months are:

- ❖ Continue to market Green Credentials to local community.
- ❖ Continue to promote our photovoltaic generation on our smart home web site and elsewhere.

Staff

Waipa Networks believes in the recognition and acknowledgement of our staff and in increasing the potential of all employees through learning. We aim to grow all employees' competency and skills through delivering on individual training plans.

Waipa Networks is a safety conscious, socially responsible and good employer. We recognise the ability to recruit and retain well-qualified, motivated and committed staff is essential for an efficient and effective business.

The Company will have a zero tolerance to work place accidents and seek to promote the health and welfare of all employees.

Specific targets for 2014 were:

- ❖ Improve OSH culture and eliminate lost time accidents.

This continues to be a major challenge for the Company. In 2012 the Company employed a Health, Safety and Quality Manager with responsibility for staff training, work site audits of both safety and quality aimed at further reducing the number of lost time accidents and increasing the reporting of near misses and incidents.

The quality of reporting has improved significantly with a number of new leading and lagging indicators being reported at each board meeting.

It is disappointing that we have to report three lost time accidents this year.

In addition the Company has:

- Maintained its ACC Workplace Safety Management Practices Secondary Level.

Specific targets for the next twelve months are:

- ❖ Improve OSH culture and eliminate all injury accidents.

B RELATIONSHIP WITH TRUST

The Board will continue to:

- Seek to align of their values, philosophy and objectives for the good of the Trust's beneficiaries;
- Operate a "no surprises" policy which seeks to communicate fresh ideas at an early stage and so assist in aligning the two organisations;
- Acknowledge the owners, represented by the Trust, require excellent performance by the Company;
- Diligently exercise their governance role.

C NATURE AND SCOPE OF ACTIVITIES TO BE UNDERTAKEN

The nature and scope of the activities of Waipa Networks:

	<u>2014/15</u>	<u>2015/16</u>	<u>2016/17</u>
• Distribution (GWh)	355	360	365
• Contracting (Sales \$000's)	1,938	1,977	2,016

Any major diversification of activities into new business areas will be subject to consultation with Shareholders.

In the last year the Company:

- Achieved contracting sales of \$1.8M compared with our target of \$1.55M
- Distribution sales were 350GWh compared with our target of 360GWh. The slight decrease in consumption was due to last year's drought and a mild winter.

D CAPITAL RATIO

The ratio of shareholders' funds to total assets will be maintained at not less than 60 per cent.

The level of spending on capital development is budgeted to exceed depreciation in the 2014/15 financial year, and for the following two years. In the next two years capital development of the network will exceed depreciation by \$12.2M and \$4.5M to fund system growth and the second 110kV supply for Te Awamutu; this work will be funded from retained earnings and increased tariffs from 1 April 2016 to fund the 110kV line.

Shareholders' funds comprise the total issued capital, the balance of undistributed profits and all revenue and capital reserves.

Total assets of Waipa Networks will comprise all the recorded tangible and intangible assets of the Company at their current value as defined in the statement of accounting policies.

E ACCOUNTING POLICIES

Waipa Networks has adopted accounting policies consistent with the Financial Reporting Act 1993. Details of the Accounting Policies and their application are contained in Appendix 1. There have been no material changes in accounting policies since the adoption of IFRS. No further significant changes in these accounting policies are anticipated.

F PERFORMANCE TARGETS

The Board of Directors recognises the need to determine objective targets against which its performance can be measured. These targets need to be comprehensive and recognise the emphasis our customers place on the services provided. The proposed targets therefore recognise reliability, safety and efficiency measures together with financial measures.

The performance targets which have been set for the period, together with forecasted financial statements to 31 March 2015/16, are detailed in Appendix 2.

In the last year the Company:

- Met all of the Financial Performance Indicators.
- Met both Cost Performance Indicators.
- Met both Energy Delivery Performance Indicators.
- Met two out of three Reliability Performance Indicators.
- Staff Safety was not achieved

G PROCEDURES FOR THE SUBSCRIPTION, ACQUISITION AND DISPOSAL OF SHARES

Directors will consider the subscription for, or acquisition of, shares, in any company only where it is consistent with the long-term commercial objectives of Waipa Networks.

If in the opinion of the Directors the subscription or acquisition of shares, or assets in new business ventures or subsidiary companies, is considered significant to the Company's level of operations it would be subject to consultation with the Shareholders.

The Company consulted with the Trust prior to investing in Waikato Networks Limited. The Company shareholding in Waikato Networks Limited is 15%. Funding for the capital development of Waikato Networks Limited will involve shareholder loans together with other funding streams as deemed appropriate by Waikato Networks Limited.

Waipa Networks has a seat on the board of Waikato Networks Limited.

Where Waipa Networks decides to incorporate subsidiary companies and/or subscribe for shares in subsidiary companies to undertake its commercial activities, Waipa Networks will ensure effective management of any such subsidiary.

If Waipa Networks decides to dispose of shares or assets of any subsidiary company or business units which amount to more than 25% of the business of Waipa Networks, the consent of the Shareholders shall be obtained.

In the last year the Company has undertaken no new investments; however it has increased its investment in Waikato Networks Limited by way of shareholder loans.

H DIVIDEND POLICY

The policy on apportioning net profits to be distributed to Shareholders will be determined by the Board of Directors from time to time in accordance with future results and taking into account circumstances, particularly of future capital requirements. No dividend payment will be made without the approval of the Trust (shareholders).

No provision is made for a dividend in the period covered by this SCI.

In the last year the Company:

- Did not pay a dividend.

I DISCOUNTS

Connected Consumers will continue to receive a discount on their line charges during the year to 31 March 2015 and for the two following years. The level of discounts is forecast to be more than \$3.8M in 2014/15 and in each of the two following years. These discounts include a provision of \$400,000 per annum for loss rental rebates received from Transpower in that year.

The proposed discounts are a reduction of \$400,000 per annum for the life of the SCI. The reduction is to assist with the funding of the second line for Te Awamutu and reduce the budgeted increase in tariffs from 2016 from \$2.24M to \$1.84M.

The budgeted discounts include the published discount in our tariff schedule of approximately \$1.2M.

Actual discounts will vary with the whole of the loss rental rebate actually received being returned to consumers in the discount paid.

In the last year the Company:

- Paid discounts totalling more than \$4.2M.

J REPORTING TO SHAREHOLDERS

Within three months after the end of the first half of each financial year the Directors will deliver an unaudited half-yearly report to the Shareholders.

This will consist of:

1. A statement of financial position.
2. A statement of financial performance.
3. A statement of cash flows.
4. A report on activities.

Within three months after the end of each financial year Directors will deliver to Shareholders an annual report and audited financial statements which will consist of:

1. A Directors' report including:
 - a) A review of operations;
 - b) Measurement of performance in relation to objectives;
 - c) Recommendation in respect of dividend.
2. A statement of financial position.
3. A statement of financial performance.
4. A statement of cash flows.
5. The Auditor's report on the above statements which shall include an audit of the measurement of performance in relation to objectives.

In the last year the Company:

- Met all reporting obligations.

WAIPA NETWORKS LIMITED

**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 MARCH

Statement of Accounting Policies

Reporting Entity

Waipa Networks Limited (the Company) is a profit oriented limited liability company domiciled in New Zealand, registered under the Companies Act 1993. The Company is an electricity network business, delivering energy to customers in the Waikato Region.

Statement of Compliance

The Financial Statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZGAAP). They comply with the New Zealand Equivalent to International Financial Reporting Standards (NZIFRS), 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 NZIFRS that are effective or available

Critical Accounting Estimates and Adjustments

The preparation of Financial Statements in conformity with NZIFRS 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, 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.

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) 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.

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 income statement 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 income statement 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	3%
Reticulation System	2.5%
Other Electrical	6.7%
Motor Vehicles	10 to 20%
Computer Equipment and Software	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.

(b) Intangible assets

Intangible assets comprise computer software. Intangible 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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(c) 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.

(d) 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.

(e) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and deposits with maturities of three months 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.

(f) Impairment

The carrying amounts of the Company's assets other than deferred tax assets (see accounting policy i) and inventories (see accounting policy c) 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.

(g) 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 the useful life of the asset. 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.

(h) Employee Entitlements

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

(i) 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 income statement 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 substantially 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 substantially 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.

(j) 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.

(k) Goods and Services Tax (GST)

The Income Statement 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.

KEY ASSUMPTIONS IN FINANCIAL FORECASTS

The 2014/15 year is based on the Company budget. The key assumptions used in calculating the financial forecast for subsequent years for Waipa Networks Limited on the following pages are as follows:

- 1.75% growth in network sales volume per annum is assumed.
- Revenue is based on a price increase from 1 April 2014 to reflect the increase in Transpower charges plus a 1.4% increase in the Company's Notional Annual Revenue. Subsequent increases in electricity tariffs have been forecast at 1.5% p.a.
- Capital expenditure as per the Asset Management Plan.
- Inflation of internal costs is included in the forecast at 1.5% p.a.

These assumptions were adopted on 25 March 2014. No actual financial results are incorporated in the forecasts. These forecasts will next be updated in the Statement of Corporate Intent for 2016. The forecasts will be reviewed and refined before adoption as budgets prior to the commencement of each of the respective years.

The information on which the Statement of Corporate Intent has been prepared is solely for the purposes of this document and may not be appropriate for other purposes.

The actual results achieved for the periods forecast could have material variations from the information presented, and the variations may be material.

WAIPA NETWORKS LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEARS ENDING 31 MARCH

2011/12	2012/13	2013/14		2014/15	2015/16	2016/17
				\$000	\$000	\$000
			REVENUE			
21,067	23,023	23,564	Line Charges	24,747	25,248	28,503
4,438	4,706	4,319	Less discounts	3,800	3,800	3,800
16,629	18,317	19,245	Net Line Charges	20,947	21,448	24,703
3,243	3,424	3,843	Other Revenue	3,782	3,830	3,879
19,872	21,741	23,088	Net Revenue	24,729	25,278	28,582
5,775	7,007	7,423	Transmission	8,210	8,210	9,110
6,106	6,105	6,320	Operations	7,283	7,392	7,507
3,409	3,521	3,670	Depreciation	3,767	4,015	4,139
15,290	16,633	17,413	Operating expenses	19,260	19,617	20,756
4,582	5,109	5,675	Profit from operations	5,469	5,661	7,826
187	300	397	Interest income	570	821	963
(26)	117	16	Net Gain on Disposal of Assets	60	60	60
4,743	5,526	6,088	Profit before interest expense and tax	6,099	6,542	8,849
5	0	0	Interest Expense	279	1,468	1,656
4,738	5,526	6,088	Profit before tax	5,820	5,074	7,193
1,354	1,521	1,791	Tax	1,338	1,167	1,654
3,384	4,005	4,297	Profit after tax	4,482	3,907	5,539
0	0	0	Dividend	0	0	0
3,384	4,005	4,297	Profit after tax & dividend	4,482	3,907	5,539

WAIPA NETWORKS LIMITED
BALANCE SHEET
FOR THE YEARS ENDING 31 MARCH

2011/12	2012/13	2013/14		2014/15	2015/16	2016/17
\$000	\$000	\$000		\$000	\$000	\$000
			Assets			
104,931	107,054	110,411	Property, Plant and Equipment	120,070	124,589	124,309
2,558	4,615	8,913	Investments	18,217	22,267	25,237
107,489	111,669	119,325	Total non-current assets	138,287	146,856	149,546
3,095	3,277	2,238	Cash & cash equivalents	54	295	442
1,935	1,859	1,891	Trade and other receivables	2,017	2,690	3,040
85	65	39	Prepayments	40	40	40
48	106	126	Work in progress	150	150	150
800	808	895	Inventories	800	800	800
5,963	6,115	5,189	Total current assets	3,061	3,975	4,472
113,451	117,783	124,514	Total Assets	141,348	150,831	154,018
			Equity			
89,220	93,224	97,521	Retained earnings	101,421	105,328	110,867
			Liabilities			
0	0	0	Loan	14,900	21,800	19,600
198	1,457	2,869	Provisions	2,100	2,100	2,100
20,043	20,183	20,504	Deferred tax liabilities	19,262	18,956	18,650
20,241	21,640	23,373	Total non-current liabilities	36,262	42,856	40,350
3,390	2,148	2,718	Trade and other payables	2,223	1,205	1,359
453	444	479	Provisions	912	912	912
0	0	0	Provision for dividend	0	0	0
147	328	423	Income tax payable	530	530	530
3,990	2,920	3,620	Total current liabilities	3,665	2,647	2,801
24,231	24,560	26,993	Total liabilities	39,927	45,503	43,151
113,451	117,784	124,514	Total equity and liabilities	141,348	150,831	154,018

WAIPA NETWORKS LIMITED
STATEMENT OF CASH FLOWS
FOR YEAR ENDED 31 MARCH

2011/12	2012/13	2013/14		2014/15	2015/16	2016/17
\$000	\$000	\$000		\$000	\$000	\$000
CASH FLOWS FROM OPERATING ACTIVITIES						
18,472	20,129	21,116	Receipts from customers	23,023	22,892	27,399
(10,896)	(11,933)	(13,118)	Payments to suppliers and employees	(14,417)	(16,119)	(16,860)
(11)	(88)	146	Net GST	(99)	(101)	(103)
<u>7,565</u>	<u>8,108</u>	<u>8,144</u>	Cash generated from operations	<u>8,507</u>	<u>6,672</u>	<u>10,436</u>
155	190	160	Interest received	4	23	23
(5)	0	0	Interest Paid	(279)	(1,468)	(1,656)
0	0	0	Taxes received	0	0	0
(1,195)	(1,200)	(1,375)	Taxes paid	(1,351)	(1,473)	(1,960)
<u>6,520</u>	<u>7,098</u>	<u>6,929</u>	Net cash flows from operating activities	<u>6,880</u>	<u>3,754</u>	<u>6,843</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
17	138	56	Proceeds from sale of property, plant and equipment	70	80	80
637	588	2,886	Capital Contributions	1,294	1,313	1,333
0	0	0	Decrease in investments	0	0	(2,200)
0	0	0	Increase in Term Liabilities	14,900	6,900	0
(4,389)	(5,685)	(6,860)	Purchase of property, plant and equipment	(16,508)	(8,555)	(3,879)
(2,680)	(1,957)	(4,050)	Increase in investments	(8,820)	(3,252)	(2,030)
<u>(6,415)</u>	<u>(6,916)</u>	<u>(7,968)</u>	Net cash used in investing activities	<u>(9,064)</u>	<u>(3,513)</u>	<u>(6,695)</u>
CASH FLOWS FROM FINANCING ACTIVITIES						
0	0	0	Cash was applied to: Dividend	0	0	0
105	182	(1,039)	Net increase (decrease) in cash held	(2,184)	241	147
<u>2,990</u>	<u>3,095</u>	<u>3,277</u>	Cash and cash equivalents at 1 April	<u>2,238</u>	<u>54</u>	<u>295</u>
<u>3,095</u>	<u>3,277</u>	<u>2,238</u>	Cash and cash equivalents at 31 March	<u>54</u>	<u>295</u>	<u>442</u>
CASH BALANCES IN THE BALANCE SHEET						
<u>3,095</u>	<u>3,277</u>	<u>2,238</u>	Cash and cash equivalents	<u>54</u>	<u>295</u>	<u>442</u>

WAIPA NETWORKS LIMITED
PERFORMANCE TARGETS AND OTHER MEASURES
FOR YEAR ENDED 31 MARCH

2011/12	2012/13	2013/14		2014/15	2015/16	2016/17
Financial Performance Indicators						
4.18%	4.69%	4.89%	Net Surplus before interest expense and tax as a percentage of total assets	4.1%	4.1%	5.7%
3.87%	4.39%	4.51%	Net Surplus after tax as a percentage of Equity	4.1%	3.4%	4.6%
78.64%	79.15%	78.32%	Ratio of Equity to total assets	60%	60%	60%
Cost Performance Measures:						
\$121	\$120	\$115	Maintenance costs per electricity customer	\$160	\$160	\$160
\$75	\$82	\$75	Operational expenditure per electricity customer	\$75	\$75	\$75
Energy Delivery Performance Measures:						
6.37%	6.36%	6.10%	Loss ratio	6.5%	6.5%	6.5%
26.44%	25.58%	25.58%	Capacity utilisation	25%	25%	25%
Energy Reliability Performance Measures:						
8.7	6.6	9.5	Faults per 100km lines (11kV)	8.3	8.3	8.3
242	153	123	SAIDI (minutes per customer)	170	169	168
2.54	1.50	1.87	SAIFI (interruptions per customer)	2.43	2.42	2.41
Staff Safety						
23.8	1.9	5.7	Lost Time Work Accidents per 100 employees	0	0	0
654	80	637	Total hours lost per annum	0	0	0
0.70%	0.09%	0.68%	Percentage of hours lost per annum	0.0%	0.0%	0.0%