

Directory as at 31 March 2014

Trustees

CHAIRMAN	Mr C T Sanders
DEPUTY CHAIRMAN	Mr A J Bateman
TRUSTEES	Mrs J M Bannon
	Mr R C Johnstone
	Mr C J Rist, JP
	Mrs B J Taranaki, QSM JP

Secretary/Treasurer

Mrs S J Baldock
502 Pakura Street
Te Awamutu

Bankers

Westpac
Alexandra Street
Te Awamutu

Solicitors

Kevin Jaffe
Simpson Grierson
Auckland

Accountants

Peter Granville
180 Grey Street
Hamilton East

Auditors

Jon Hurst
Jonathon Hurst & Associates
Chartered Accountants
88 Teasdale Street
Te Awamutu

Chairman's Report

To the Beneficiaries (Connected Consumers):

It is my privilege to present the twenty-first report on the activities of the Waipa Networks Trust for the year ended 31 March 2014.

Waipa Networks Trust

The Trust holds on your behalf 7.2 million shares in Waipa Networks Limited.

Under this collective form of ownership only the Trust can sell the shares. However, the advantage to you is that the Company is directed and controlled to benefit Connected Consumers.

Any surplus profits can only be distributed to Connected Consumers as a dividend or used for energy efficiency projects.

This contrasts with a private ownership structure (as occurs in several larger power companies in New Zealand) in which a company is managed so as to maximise profits to pay high dividends to often out-of-the-region or even overseas shareholders.

Trust ownership of our network company therefore ensures the economic benefits and potential can stay in the region.

Trust Functions

As the single shareholder, our Trust has some very important functions:

- 1 The Trust appoints the Directors and monitors their performance.
- 2 Each year the Trust determines with the Company a Statement of Corporate Intent that includes a three year projection of performance indicators.
- 3 At this time of the year the Trust reports, publicly, on the Company's previous year's performance, taking into account the Corporate Intent performance 'benchmarks' agreed to a year earlier.

Strategically, the Trustees have an important duty to act as a diligent shareholder.

That role includes being fully aware of the strategic, long term, likely value of the Company to its shareholders.

Taking that into account, the Trustees can exercise voting powers in respect of any matters proposed by the Company that affect either the level of the shareholding or that propose modifications of the rights of shareholders. For example, the Trustees are required, at intervals of no more than five years, to prepare a report considering proposals and available options for the future ownership of shares; make decisions on merger proposals; and decide upon any other Company recommendations to alter the capital structure.

Other than these powers and duties, the Trustees have no power, authority or discretion to participate in the day to day management or operation of the Company.

Trustees of the Waipa Networks Trust

The Trustees of Waipa Networks Trust at 31 March 2014 were Messrs Craig Sanders (Chairman), Andrew Bateman (Deputy Chairman), Richard Johnstone, Carl Rist (JP), Mrs J M Bannon and Mrs Barbara Taranaki (JP).

The triennial Election of Trustees took place in 2012. The next Election of Trustees is scheduled to take place in 2015.

Trust Performance 2013 - 14

Annual Plan 2013 - 2014

The Trust met all its objectives concerning accountability to its Beneficiaries and financial forecasts outlined in the Annual Plan for the 2013-2014 year.

Financial Review of the Trust (excluding the value of the shareholding in Waipa Networks Ltd)

The Financial Statements attached to this Report form part of, and should be read in conjunction with this Report.

The movement in cash flows over the year has been as follows:

Balance 1 April 2013	\$3,417,914
Plus:	
Interest Earned (net)	141,753
Dividends Banked from Prior Years	37,115
Less:	
Payments to suppliers and employees	145,926

Balance 31 March 2014	\$3,450,856
	=====

The book value of the 7.2 million shares held by the Trustees at 31 March 2014 based on the shareholders funds value in the Financial Statements of Waipa Networks Ltd was 2014 \$97,521,245 (2013 \$93,224,496)

The audited Financial Statements of Waipa Networks Trust for the year ended 31 March 2014 are available for your inspection at the office of the Company (240 Harrison Drive, Te Awamutu), and at public libraries in the district.

Guidelines on Access for Beneficiaries to Meetings and Information

The Trust in the 2006/07 year formally approved the adoption of the above mentioned Guidelines, copies of which are available upon request to the Trust Secretary.

The Guidelines promote accountability by the Trust to its Beneficiaries and ensure that clear and transparent procedures are in place to enable Beneficiaries to attend Trust meetings, have access to Trust information, and access to a complaints process if they are unhappy.

Dividend

The Trust's operation costs continue to be funded from investment earnings and reserves, with no dividend being sought from its wholly owned company Waipa Networks Ltd.

This policy allows the Company to use any excess funds for capital and lines maintenance works in order to give consumers a safe and secure supply of electricity.

Company Performance 2014/15

Directors of Waipa Networks Ltd

Mr Keith Goodall & Ms Diane Reed were required to retire by rotation at the 2013 Annual General Meeting of the Company. The Trustees re-appointed them for a further term.

The Directors of Waipa Networks Limited at 31 March 2014 were Messrs Richard Kadziolka (Chairman), Richard Francis (Deputy Chairman), Keith Goodall, Bob Western, Jeff Williams and Ms Diane Reed.

Special Discounts

The Trust, through the Statement of Corporate Intent, agreed to the Company introducing a discount/rebate regime commencing on 1 April 2001.

In the financial year ended 31 March 2014 the Company granted special discounts amounting to \$4,318,987 to Connected Consumers. Special discounts for the thirteen year period 1 April 2001 to 31 March 2014 amount to \$54,325,602- an average of \$2,225 per Network Connection Point.

Performance Measures of Waipa Networks Limited

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 2014 is as follows:

Financial performance indicators	Target	Actual (2014)	Actual (2013)
Profit before interest expenses and tax as a percentage of total assets	4.20%	4.89%	4.69%
Profit after tax as a percentage of equity	4.00%	4.51%	4.39%
Equity as a percentage of total assets	70.00%	78.32%	79.15%
Efficiency performance measures:			
Maintenance costs per electricity customer	\$160	\$115	\$120
Operational expenditure per electricity customer	\$75	\$75	\$82
Energy delivery efficiency performance measures			
Loss ratio	6.50%	6.10%	6.36%
Capacity utilisation	25.00%	25.58%	25.58%
Energy reliability performance measures			
Faults per 100km lines (11kV)	8.3	9.5	6.6
SAIDI (minutes per customer)	171	123	153
SAIFI (interruptions per customer)	2.44	1.87	1.50
Staff Safety			
Lost time work accidents per 100 employees	0.0	5.7	1.9
Total hours lost per annum	0	637	80
Percentage of hours lost per annum	0.00%	0.68%	0.09%

Waikato Networks Ltd (Formally Ultrafast Fibre Limited)

During the year the Company invested a further \$4.3M in Waikato Networks Ltd (WNL) adding to the \$4.5M invested in the last two years.

Roll out of the network is ahead of time and on budget. Uptake is behind at about 7% of premises passed. While the small Retail Service Providers (RSPs) continue to connect customers Ultrafast Fibre Limited still waits for Telecom and Vodafone to commence full scale roll out to their customers.

Revenue per customer is also low due to subscriptions being only for basic products. Demand for greater bandwidth products is dependent upon the development of a true triple play offering (phone, internet plus video/TV on demand. With low uptake and low revenues this is currently a challenging investment.

The Company remains committed to the joint venture with WEL in WNL and will closely monitor the performance of this investment. The Company believes fibre is the communications medium of the future although the current slower than desired uptake by RSPs and their customers means a delay in attaining the expected return on the investment.

Waipa Networks Ltd. 2014 Annual Report.

Second Supply Line to Te Awamutu

The Company spend \$1.5M on design, investigations and negotiations developing the final route for the new 100kV line between Te Awamutu and Hanganaki bringing our investment to date to \$2.5M.

The Company expects to designate the line route at the end of June.

Waipa Networks Ltd. 2014 Annual Report.

Acknowledgements

The Trust has continued to update its administrative activities throughout the year including the creation of the new Trust website. We are happy to be able to offer beneficiaries accurate and timely information through the website www.waipanetworkstrust.co.nz.

It has been a positive year for the Company with good progress being made on the second line and the implementation of an insulation project to help our beneficiaries have warmer houses. Richard Kadziolka took over during the year as Chairman of the Company from Diane Reed. This was a very smooth transition, showing just how well our Boards work together.

The Company performance was again something to be proud of with Waipa Networks Ltd operating extremely efficiently and continuing to have one of the cheapest lines charges in the country. The Trust acknowledges the contribution of the Board and Staff for their ongoing performance. Their hard work is evident by the continued high performance of our Company.

A special thank you to Sarah for her continuous hard work and effort. Also, on behalf of the Trustees, I would like to thank Kelly and Bryant for the use of their magnificent amenities. Another thank you to my fellow trustees for the privilege of being their Chairman.

We look forward to continue to work positively on behalf of you, our beneficiaries.

**CRAIG SANDERS, CHAIRMAN
WAIPA NETWORKS TRUST**