

Directory as at 31 March 2015

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 Davies
411 Greenhill Drive
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 report on the activities of the Waipa Networks Trust for the year ended 31 March 2015.

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 2015 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 2014 - 15

Annual Plan 2014 - 2015

The Trust met all its objectives concerning accountability to its Beneficiaries and financial forecasts outlined in the Annual Plan for the 2014-2015 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 2014	\$3,450,856
Plus:	
Interest Earned (net)	151,748
Less:	
Payments to suppliers and employees	145,075

Balance 31 March 2015	\$3,457,529
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The book value of the 7.2 million shares held by the Trustees at 31 March 2015 based on the shareholders funds value in the Financial Statements of Waipa Networks Ltd was 2015 \$102,405,055 (2014 \$97,521,245)

The audited Financial Statements of Waipa Networks Trust for the year ended 31 March 2015 are available for your inspection on the Trust's website www.waipanetworkstrust.co.nz or at the office of the Company (240 Harrison Drive, Te Awamutu).

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 Bob Western & Jeff Williams were required to retire by rotation at the 2014 Annual General Meeting of the Company. The Trustees re-appointed them for a further term.

The Directors of Waipa Networks Limited at 31 March 2015 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 2015 the Company granted special discounts amounting to \$3,830,591 to Connected Consumers. Special discounts for the fourteen year period 1 April 2001 to 31 March 2015 amount to \$58,156,193.

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 2015 is as follows:

Financial performance indicators	Target	Actual (2015)	Actual (2014)
Profit before interest expenses and tax as a percentage of total assets	4.10%	5.29%	4.89%
Profit after tax as a percentage of equity	4.10%	4.89%	4.51%
Equity as a percentage of total assets	60.00%	77.03%	78.32%
Efficiency performance measures:			
Maintenance costs per electricity customer	\$160	\$138	\$115
Operational expenditure per electricity customer	\$75	\$84	\$75
Energy delivery efficiency performance measures			
Loss ratio	6.50%	5.72%	6.10%
Capacity utilisation	25.00%	24.59%	25.58%
Energy reliability performance measures			
Faults per 100km lines (11kV)	8.3	12.1	9.5
SAIDI (minutes per customer)	170	201	123
SAIFI (interruptions per customer)	2.43	2.20	1.87
Staff Safety			
Lost time work accidents per 100 employees	0.0	13	5.7
Total hours lost per annum	0	646	637
Percentage of hours lost per annum	0.00%	0.66%	0.68%

Waikato Networks Ltd

The Company invested in fibre to bring the benefits of twenty first century communications, its business and growth opportunities to our customers as soon as commercially sensible. As a result Cambridge and Te Awamutu were among the first communities in New Zealand to have total access to this new and exciting technology and the commercial, entertainment, and other benefits it brings.

The benefits are clearly appreciated with the demand for fibre growing faster than our ability to connect new customers. Last year we were connecting about 600 customers per month compared with over 2,000 per month currently.

Our investment has had to increase to keep pace with demand. Over the year the Company invested \$7.6M bringing our total investment to \$17M. This investment will continue to grow until the first dividends are received in 2019/20 when customer connections are expected to exceed 90,000 or 60% of premises passed.

This investment in Waikato Networks Limited fibre network demonstrates our commitment to improving the quality of life for our community and will through future dividends contribute towards a financial distribution to connected consumers.

Extract from Waipa Networks Ltd. *2015 Annual Report*.

Second Supply Line to Te Awamutu

Te Awamutu customers who have asked for a solution to the interruptions caused by having only a single 110kV supply line will be pleased to note the excellent progress made on a second 110kV line from Hangatiki.

In December 2014 Resource Management Act hearings were held under an Independent Commissioner. His report was released to all submitters, landowners and other affected parties in February and the period for objections passed with none being received.

Since then orders have been placed for the poles and other equipment necessary for the construction and work continues on tender documents for the civil and other works necessary for the new line. Construction will commence in August / September 2015 depending on the weather and ground conditions.

Transpower advise that substation works will be in place and commissioned in time for the termination of the new line.

Most property easements have been successfully negotiated and agreements signed. The Company is endeavouring to resolve all outstanding property matters and to avoid using the Public works Act which would inevitably delay the project.

The successful conclusion of this project will bring major benefits to all customers supplied from Te Awamutu. We look forward to delivering the solution to them in June 2016.

Extract from Waipa Networks Ltd. *2015 Annual Report*.

Acknowledgements

The Company performance was again something to be proud of with Waipa Networks Ltd operating extremely efficiently and achieving the lowest line charges in the country. This is an incredible achievement and the Trust would like to recognise the ongoing effort of the Company Board and Staff.

Other achievements of the Company include the good progress which has been made on the second line and the completion of an insulation project which helped many of our beneficiaries achieve healthier and more energy efficient homes. We are looking forward to further Energy Efficiency initiatives with the Company implementing an energy efficiency programme in schools during 2015-16.

The Trust has continued to improve information sharing with our beneficiaries by using our website to improve the availability of information and ensuring we update it regularly. We value the opportunity to engage with our beneficiaries and improve their access to information about the Trust.

On behalf of the Trustees, I would like to thank Crowe Horwath for the use of their magnificent amenities and Sarah for another year of dedication to the Secretary/Treasurer role. 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**