



Waipa Networks Limited
Statement of Corporate Intent
For the Year Ended
31 March 2018



Table of Contents

INTRODUCTION	3	
A	OBJECTIVES OF WAIPA NETWORKS	4
	Commercial	4
	Energy Efficiency	5
	Customer Service	6
	Security of Supply	7
	Compliance Issues	7
	Social and Community	8
	Staff	9
B	NATURE AND SCOPE OF ACTIVITIES TO BE UNDERTAKEN	10
C	CAPITAL RATIO	10
D	ACCOUNTING POLICIES	10
E	PERFORMANCE TARGETS	10
F	PROCEDURES FOR THE SUBSCRIPTION, ACQUISITION AND DISPOSAL OF SHARES	11
G	DIVIDEND POLICY	12
H	DISCOUNTS	12
I	REPORTING TO SHAREHOLDERS	12
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 2018 and the two succeeding financial years.

Waipa Networks owns and operates the electricity distribution network in and around the Waipa district. We are owned by the Waipa Networks Trust on behalf of our connected customers.

Our principal focus is on delivering safe, reliable and efficient electricity lines services to our connected customers. We are alert to the changing nature of energy technologies and the ways in which our customers want to meet their energy needs. This brings a broader and longer term view to our strategic context.

Our mission:

- **Our community is part of us**
- **Building and maintaining community network assets and wealth**
- **Life improvement through energy and network related business.**

Our objectives:

- **Deliver power safely all day every day**
- **Making our community's lives better**
- **Being a sustainable business.**

Our vision:

- **To be the heart of the Waipa Energy Community.**

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,
- being aware of technological changes which could impact the business model,
- pricing Line Function Services to ensure connected consumers are charged equitably to achieve sustainable profit levels, 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 Ltd for and on behalf of Connected Consumers.

The Company seeks to be a high 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.

The Board of Directors will ensure Waipa Networks effects appropriate strategies for its long-term success. This will mean diversifying its portfolio of investments over time to spread risk and align us with the achievement of our vision.

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.
- 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.
- Ensure the addition of new distribution capacity will be matched as closely as possible to actual and forecast market demand.
- Develop shorter network capital investment horizons to mitigate against assets being stranded by developing technologies.
- 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.
- Extend our portfolio of unregulated businesses.

Waikato Networks Limited has and will continue to be a main focus of investment activity. This is discussed further in Section F below.

With respect to the electricity network, the Company successfully completed investment in the alternative supply for Te Awamutu being construction of the 110kV line to Hangatiki.

Specific targets for 2018 are:

- ❖ Maintain our governance influence on the Board of Waikato Networks Ltd to achieve a successful commercial result.
- ❖ Explore the possibility of new ventures brought about by disruptive technology developments including investment in pilot projects.

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 by connected consumers will be encouraged.

Specific targets for 2017 were:

➤ Continue to measure the carbon footprint for the Harrison Drive depot.	(Achieved)
➤ Continue to develop strategies to reduce our overall carbon footprint.	(Ongoing)
➤ Review environmental targets.	(Achieved)
➤ Provide pricing signals to connected consumers which enable sound economic decisions to be made regarding investment in new technologies such as photovoltaic generation, battery storage and electric vehicles.	(Achieved)

In August 2014 the company (including Waikato Tree Services) was audited under the Enviro-mark® programme and attained its Gold standard accreditation. This accreditation has been successfully retained.

In addition, in the last year the Company has:

- ❖ Produced and distributed to all connected consumers a newsletter called 'Sneak Peak' which introduced our new 'Advanced Pricing' effective 1 April 2016.
- ❖ Sponsored 3 local secondary schools in the EVelocity Waikato electric vehicle competition.
- ❖ 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 2018 are:

- ❖ Continue to measure the carbon footprint for the Harrison Drive depot.
- ❖ Continue to develop strategies to reduce our overall carbon footprint.
- ❖ Promote the uptake of electric vehicles in the Waipa Networks area.
- ❖ Provide pricing signals to connected consumers which enable sound economic decisions to be made regarding investment in new technologies such as photovoltaic generation, battery storage and electric vehicles.

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 Utilities Disputes Ltd.

Specific targets for 2017 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)
➤ Continue to negotiate updated Use of System Agreements with energy retailers.	(Continuing)

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. Data collection was completed in the Te Awamutu area in 2015 and is expected to be completed in the Cambridge area by 2020.
- ❖ Signed three new Use of System agreements based on the Electricity Authority Model.

Specific targets for 2018 are:

- ❖ Resolve 95% of complaints using the Company's Complaints Resolution Process without escalation to Utilities Disputes Ltd (formerly the Electricity and Gas Complaints Commissioner).
- ❖ Achieve a minimum 90% overall satisfaction rating in the annual independent customer survey.
- ❖ Investigate opportunities for increased mobility in terms of field communications and customer information systems.
- ❖ 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 safe Live Line working techniques.
- Distribution system automation.
- Undertaking appropriate security of supply projects to manage risks to customer service.

Specific targets for 2017 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.	(Achieved)
➤ Continue asset surveys, preventative maintenance and tree cutting on the network.	(Partially achieved)
➤ Install automation devices to further sectionalise the network.	(Achieved)
➤ Continue the replacement of older switching equipment and transformers.	(Achieved)

Specific targets for the next twelve months are:

- ❖ Undertake the undergrounding of two feeders on the first multi-feeder circuit from Te Awamutu.
- ❖ Continue asset surveys, preventative maintenance and tree cutting on the network.
- ❖ Install automation devices to further sectionalise the network with a focus on automated open point switches for faster restoration of supply.
- ❖ Continue the replacement of older switching equipment and transformers.

Compliance Issues

The Directors will continue to monitor compliance with all relevant legislation and regulations.

Compliance with regulations, and prudent management of regulatory risk, is incorporated in the Company's strategic thinking and management.

Specific targets for 2017 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 audit requirements for the Public Safety Management System.
- ❖ Directly, or in combination with other electricity lines businesses, made submissions to various discussion papers issued by the Commerce Commission and Electricity Authority.
- ❖ Implemented new more rigorous compliance reporting using commercial software.

Specific targets for the next twelve months are:

- ❖ To continue to have good relationships with industry regulators, with particular reference to achieving good outcomes on new technology investments
- ❖ 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.
- Promoting our environmental policy.
- Maintaining 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 2017 were:

➤ Market Green Credentials to local community.	(Achieved)
➤ Continue to promote our photovoltaic generation on our smart home web site and elsewhere.	(Achieved)
➤ Monitor PV impact on subdivision requiring installation by covenant compared with standard subdivision of similar aged and value dwellings.	(Achieved)
➤ Install PV and battery storage in domestic dwelling to monitor impact on usage and ability to manage domestic peak demand.	(Partially Achieved)
➤ Implement a communications plan for stakeholders with an interest in Waipa Networks' asset management plan.	(Not Achieved)

In addition the Company has:

- ❖ Maintained our portfolio of sponsorships.
- ❖ Published brochures on the tree regulations and a newsletter updating connected consumers on items of interest.
- ❖ Maintained our “Smart Home” website.
- ❖ Placed educational videos on our 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.
- ❖ Monitor PV impact on subdivision requiring installation by covenant compared with standard subdivision of similar aged and value dwellings.
- ❖ Install PV and battery storage in domestic dwelling to monitor impact on usage and ability to manage domestic peak demand.
- ❖ Implement a communications plan for stakeholders with an interest in Waipa Networks’ asset management plan.

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 2017 were:

- Improve OSH culture and eliminate lost time accidents.

This continues to be a major challenge for the Company.

It is disappointing that we have to report five lost time accidents this year. The longest time off being 78.6 days for a fractured heel. While twenty hours of lost time relates to a prior year injury.

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 through implementation of the Health, Safety & Risk Strategic Plan.

B NATURE AND SCOPE OF ACTIVITIES TO BE UNDERTAKEN

The nature and scope of the activities of Waipa Networks:

	<u>2017/18</u>	<u>2018/19</u>	<u>2019/20</u>
• Distribution (GWh)	377	384	392
• Contracting (Sales \$000's)	2,290	2,324	2,358

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 \$1.89M compared with our target of \$2.07M.
- ❖ Distribution sales were 375GWh compared with our target of 377GWh.

C CAPITAL RATIO

The ratio of shareholders' funds to total assets will be maintained at not less than 55 per cent.

The level of spending on capital development is budgeted to exceed depreciation in the 2017/18 financial year. Capital development of the network will exceed depreciation by \$1.8M with this work funded from a combination of capital contributions and retained earnings.

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.

D 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.

E 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 2018/19, are detailed in Appendix 2.

In the last year the Company:

- Met the equity ratio target Financial Performance Indicator.
- The maintenance Cost Performance Indicator was achieved while operational costs exceeded the target.
- The Energy Delivery Performance Indicator was achieved.
- The Reliability Performance Indicators were not achieved.
- Staff Safety was not achieved.

F 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.

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.

Waikato Networks Limited

The Company consulted with the Trust prior to becoming a 15% shareholder in Waikato Networks Limited.

In February 2016 Waikato Networks Limited completed the fibre optic network for Ultrafast Fibre Limited. The completed network serves Hamilton, Cambridge, Te Awamutu, Hawera, New Plymouth, Wanganui, Tokoroa and Tauranga.

The initial establishment of Waikato Networks Ltd was as a Joint Venture with Crown Fibre Holdings (CFH), the governments funding vehicle for establishing broadband services to a larger proportion of New Zealand homes and businesses. During 2016 the shareholders of Waikato Networks Ltd negotiated an early buyout of CFH vesting full ownership in the two partners, Waipa Networks with 15% and WEL Networks 85%.

Waipa Networks retained its seat on the board of Waikato Networks Limited under the new ownership structure.

Funding for the capital development of Waikato Networks Limited and the CFH buyout continued to be by way of shareholder loans. The value of Company loans to Waikato Networks Limited at 31 March 2017 is \$64M. Increasing customer connection numbers will steadily improve the financial performance of the fibre business with the expectation that shareholder loans begin to be paid down from profits in the medium term. Until that time, and in line with the business models, funding is forecast to be at the levels shown below.

	2017/2018	2018/2019	2019/2020
Loans	\$75M	\$84M	\$92M

G 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.

H DISCOUNTS

Connected Consumers will continue to receive a discount on their line charges during the year to 31 March 2018 and for the two following years. The level of discounts is forecast to be more than \$4.8M in 2017/18 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 budgeted discounts include the published discount in our tariff schedule of approximately \$3.7 M.

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

In the last year the Company:

- ❖ Paid discounts totalling more than \$4 M.

I 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%
-------------------	---------	-----

(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 2017/18 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 prices effective from 1 April 2017. Future 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 28 March 2017. No actual financial results are incorporated in the forecasts. These forecasts will next be updated in the Statement of Corporate Intent for 2019. 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

2014/15	2015/16	Forecast 2016/17		2017/18	2018/19	2019/20
				\$000	\$000	\$000
REVENUE						
25,291	26,308	28,678	Line Charges	30,072	30,690	31,326
3,831	4,009	4,323	Less discounts	4,800	4,800	4,800
<u>21,460</u>	<u>22,299</u>	<u>24,355</u>	Net Line Charges	<u>25,272</u>	<u>25,890</u>	<u>26,526</u>
4,174	3,657	4,537	Other Revenue	4,798	4,832	4,866
<u>25,634</u>	<u>25,956</u>	<u>28,892</u>	Net Revenue	<u>30,070</u>	<u>30,722</u>	<u>31,392</u>
8,272	8,283	8,985	Transmission	9,705	9,705	9,705
7,104	7,595	8,321	Operations	8,577	8,558	8,686
3,875	3,861	4,187	Depreciation	4,295	4,414	4,513
<u>19,251</u>	<u>19,739</u>	<u>21,493</u>	Operating expenses	<u>22,577</u>	<u>22,677</u>	<u>22,904</u>
6,383	6,217	7,399	Profit from operations	7,493	8,045	8,488
652	1,089	2,303	Interest income	2,919	3,045	3,283
43	35	8	Net Gain on Disposal of Assets	60	60	60
<u>7,078</u>	<u>7,341</u>	<u>9,710</u>	Profit before interest expense and tax	<u>10,472</u>	<u>11,150</u>	<u>11,831</u>
12	440	1,373	Finance costs	2,473	2,588	2,736
(144)	0	0	Share of net profit (loss) of associates	0	0	0
<u>6,922</u>	<u>6,901</u>	<u>8,337</u>	Profit before tax	<u>7,999</u>	<u>8,562</u>	<u>9,095</u>
1,987	1,848	2,161	Tax	2,037	2,181	2,316
<u>4,935</u>	<u>5,053</u>	<u>6,176</u>	Profit after tax	<u>5,962</u>	<u>6,381</u>	<u>6,779</u>
0	0	0	Dividend	0	0	0
<u>4,935</u>	<u>5,053</u>	<u>6,176</u>	Profit after tax & dividend	<u>5,962</u>	<u>6,381</u>	<u>6,779</u>

**WAIPA NETWORKS LIMITED
BALANCE SHEET
FOR THE YEARS ENDING 31 MARCH**

2014/15	2015/16	Forecast 2016/17		2017/18	2018/19	2019/20
\$000	\$000	\$000		\$000	\$000	\$000
			Assets			
113,084	125,472	126,022	Property, Plant and Equipment	127,796	129,165	128,684
17,069	30,454	63,624	Investments	74,693	84,229	92,305
<u>130,153</u>	<u>155,926</u>	<u>189,646</u>	Total non-current assets	<u>202,489</u>	<u>213,394</u>	<u>220,989</u>
43	21	23	Cash & cash equivalents	86	214	240
1,873	1,989	2,393	Trade and other receivables	2,557	3,227	3,283
66	72	40	Prepayments	40	40	40
127	131	150	Work in progress	150	150	150
730	929	800	Inventories	800	800	800
<u>2,839</u>	<u>3,142</u>	<u>3,406</u>	Total current assets	<u>3,633</u>	<u>4,431</u>	<u>4,513</u>
<u>132,992</u>	<u>159,068</u>	<u>193,052</u>	Total Assets	<u>206,122</u>	<u>217,825</u>	<u>225,502</u>
			Equity			
<u>102,457</u>	<u>107,458</u>	<u>113,381</u>	Retained earnings	<u>119,343</u>	<u>125,724</u>	<u>132,503</u>
			Liabilities			
3,400	22,795	54,343	Loan	61,600	67,800	69,000
3,248	3,609	3,164	Provisions	3,113	3,113	3,113
20,779	20,840	18,650	Deferred tax liabilities	18,344	18,038	17,732
<u>27,427</u>	<u>47,244</u>	<u>76,157</u>	Total non-current liabilities	<u>83,057</u>	<u>88,951</u>	<u>89,845</u>
2,261	3,440	1,807	Trade and other payables	1,930	1,357	1,361
499	456	928	Provisions	924	924	924
0	0	0	Provision for dividend	0	0	0
348	470	779	Income tax payable	868	869	869
<u>3,108</u>	<u>4,366</u>	<u>3,514</u>	Total current liabilities	<u>3,722</u>	<u>3,150</u>	<u>3,154</u>
<u>30,535</u>	<u>51,610</u>	<u>79,671</u>	Total liabilities	<u>86,779</u>	<u>92,101</u>	<u>92,999</u>
<u>132,992</u>	<u>159,068</u>	<u>193,052</u>	Total equity and liabilities	<u>206,122</u>	<u>217,825</u>	<u>225,502</u>

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

2014/15	2015/16	Forecast 2016/17		2017/18	2018/19	2019/20
\$000	\$000	\$000		\$000	\$000	\$000
CASH FLOWS FROM OPERATING ACTIVITIES						
23,622	24,362	26,849	Receipts from customers	27,607	27,654	28,938
(14,773)	(15,898)	(16,828)	Payments to suppliers and employees	(17,814)	(18,335)	(17,884)
2	(107)	0	Net GST	(99)	(101)	(103)
8,851	8,357	10,021	Cash generated from operations	9,694	9,218	10,951
18	8	2,303	Interest received	0	22	22
(9)	(54)	(1,373)	Interest Paid	(2,473)	(2,588)	(2,736)
0	0	0	Taxes received	0	0	0
(1,787)	(1,667)	(2,923)	Taxes paid	(2,253)	(2,487)	(2,622)
7,073	6,644	8,028	Net cash flows from operating activities	4,968	4,165	5,615
CASH FLOWS FROM INVESTING ACTIVITIES						
75	65	8	Proceeds from sale of property, plant and equipment	80	80	80
1,965	1,205	1,565	Capital Contributions	1,998	1,998	1,998
(7,043)	(15,031)	(9,580)	Purchase of property, plant and equipment	(6,090)	(5,802)	(4,053)
(7,665)	(12,300)	(31,567)	Increase in investments	(8,150)	(6,513)	(4,814)
(12,668)	(26,061)	(39,574)	Net cash used in investing activities	(12,162)	(10,237)	(6,789)
CASH FLOWS FROM FINANCING ACTIVITIES						
0	0	0	Cash was applied to: Dividend	0	0	0
3,400	19,395	31,548	Proceeds from Borrowings	7,257	6,200	1,200
(2,195)	(22)	2	Net increase (decrease) in cash held	63	128	26
2,238	43	21	Cash and cash equivalents at 1 April	23	86	214
43	21	23	Cash and cash equivalents at 31 March	86	214	240
CASH BALANCES IN THE BALANCE SHEET						
43	21	23	Cash and cash equivalents	86	214	240

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

2014/15	2015/16	Forecast 2016/17		2017/18	2018/19	2019/20
Financial Performance Indicators						
5.29%	4.62%	4.70%	Net Surplus before interest expense and tax as a percentage of total assets	4.7%	4.7%	4.9%
4.89%	4.82%	5.10%	Net Surplus after tax as a percentage of Equity	4.7%	4.7%	4.8%
77.03%	67.55%	58.73%	Ratio of Equity to total assets	55%	55%	55%
Cost Performance Measures:						
\$138	\$155	\$160	Maintenance costs per electricity customer	\$170	\$170	\$170
\$84	\$80	\$85	Operational expenditure per electricity customer	\$90	\$90	\$90
Energy Delivery Performance Measures:						
5.72%	5.45%	5.45%	Loss ratio	6.5%	6.5%	6.5%
Energy Reliability Performance Measures:						
12.1	12.3	11.4	Faults per 100km lines (11kV)	10.8	10.8	10.8
201	190	203	SAIDI (minutes per customer)	214	213	212
2.20	2.25	1.93	SAIFI (interruptions per customer)	2.28	2.27	2.26
Staff Safety						
13.0	7.2	7.3	Lost Time Work Accidents per 100 employees	0	0	0
646	459	1,180	Total hours lost per annum	0	0	0
0.66%	0.44%	1.03%	Percentage of hours lost per annum	0.0%	0.0%	0.0%