

WAIPA NETWORKS TRUST

CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2019

INDEX

	PAGE
DIRECTORY	1
COMPREHENSIVE INCOME STATEMENT	2
STATEMENT OF MOVEMENTS IN EQUITY	2
BALANCE SHEET	3
STATEMENT OF CASHFLOWS	4
NOTES TO THE FINANCIAL STATEMENTS	5 to 25
AUDITORS REPORT	26

WAIPA NETWORKS TRUST

DIRECTORY

ADDRESS:	Waipa Networks Trust P O Box 34 Te Awamutu
TRUSTEES:	Mr C T Sanders (Chairman) Mr A J Bateman (Deputy Chairman) Mrs J M Bannon (Trustee) Mrs B J Taranaki QSM JP (Trustee) Mr D A McLean (Trustee) Mr R A Reid (Trustee)
SECRETARY/ TREASURER:	S J Davies PO Box 34 Te Awamutu
BANKERS:	Westpac Alexandra Street Te Awamutu
SOLICITORS:	Henry Brandt-Giesen KensingtonSwan Auckland
ACCOUNTANTS:	gfa Chartered Accountants Ltd 242 Bank Street Te Awamutu
AUDITORS:	Finnz Chartered Accountants 486 Alexandra St Te Awamutu

WAIPA NETWORKS TRUST
COMPREHENSIVE INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2019

	Note	Group		Parent	
		2019 \$	2018 \$	2019 \$	2018 \$
Revenue	2	36,920,892	38,342,091	-	-
Less Discounts		4,758,664	5,025,917	-	-
Net Revenue		32,162,228	33,316,174	-	-
Operating Expenses	3	24,280,627	24,168,164	220,800	184,497
Profit from Operations		7,881,601	9,148,010	(220,800)	(184,497)
Investment Income		3,303,690	2,849,144	184,751	150,775
Net Gain / (Loss) on Disposal of Assets		(33,180)	(36,772)	-	-
Profit / (Loss) before Interest and Tax		11,152,111	11,960,382	(36,049)	(33,722)
Finance Costs	18	2,538,821	2,566,812	-	-
Share of Net Profit / (Loss) of Associates		(919,350)	(1,428,600)	-	-
Profit / (Loss) before Tax		7,693,940	7,964,970	(36,049)	(33,722)
Less Tax Expense	4	2,484,832	2,608,095	-	-
Profit/(Loss) for the year		5,209,108	5,356,875	(36,049)	(33,722)
Other Comprehensive Income					
Items that will or may be reclassified to profit or loss:					
Change in Fair Value of Investment in Waipa Networks Ltd		-	-	5,245,697	5,390,597
Total Comprehensive Income		5,209,108	5,356,875	5,209,648	5,356,875

STATEMENT OF MOVEMENTS IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2019

		Group		Parent	
		2019 \$	2018 \$	2019 \$	2018 \$
Trust Capital		100	100	100	100
Retained Earnings		130,982,040	125,625,166	3,230,700	3,264,423
Revaluation Reserve		-	-	127,751,340	122,360,743
Equity as at 1 April		130,982,140	125,625,266	130,982,140	125,625,266
Profit / (Loss) for the Year		5,209,648	5,356,875	(36,049)	(33,722)
Other Comprehensive Income for the Year		-	-	5,245,697	5,390,597
Total comprehensive Income for the Year		5,209,648	5,356,875	5,209,648	5,356,875
Trust Capital	6	100	100	100	100
Retained Earnings	7	136,191,688	130,982,041	3,194,651	3,230,701
Revaluation Reserve		-	-	132,997,037	127,751,340
Equity as at 31 March		136,191,788	130,982,141	136,191,788	130,982,141

The accompanying notes form part of these financial statements.



WAIPA NETWORKS TRUST
BALANCE SHEET
FOR THE YEAR ENDED 31 MARCH 2019

	Note	Group		Parent	
		2019	2018	2019	2018
		\$	\$	\$	\$
ASSETS					
Property, Plant and Equipment	14	126,037,454	124,905,927	777	1,530
Intangible Assets	15	4,538,040	4,449,286	-	-
Prepayments		294,382	304,087	-	-
Investments in Associates	16	6,436,350	7,355,700	-	-
Loans to Associates	16	81,170,089	70,731,395	-	-
Investment in Waipa Networks Ltd		-	-	132,997,037	127,751,340
Loan to Waipa Networks Ltd		-	-	3,125,420	3,092,489
TOTAL NON CURRENT ASSETS		218,476,315	207,746,395	136,123,234	130,845,359
Cash and Cash equivalents	8	105,020	269,283	91,130	159,753
Trade and other receivables	10	3,783,293	3,415,016	-	-
Inventories	11	1,415,304	1,415,140	-	-
TOTAL CURRENT ASSETS		5,303,617	5,099,439	91,130	159,753
TOTAL ASSETS		223,779,932	212,845,834	136,214,364	131,005,112
EQUITY					
Trust Capital	6	100	100	100	100
Retained earnings	7	136,191,688	130,982,041	3,194,651	3,230,701
Revaluation Reserve		-	-	132,997,037	127,751,340
TOTAL EQUITY		136,191,788	130,982,141	136,191,788	130,982,141
LIABILITIES					
Employee Entitlements	13	213,826	205,149	-	-
Capital Contributions in Advance		3,490,962	3,259,775	-	-
Derivative Financial Instruments	20	451,493	346,835	-	-
Deferred Taxation	5	22,359,036	21,914,577	-	-
TOTAL NON CURRENT LIABILITIES		26,515,317	25,726,336	-	-
Trade and Other Payables	12	2,261,217	2,198,111	22,576	22,971
Capital Contributions in advance	12	1,326,669	1,099,479	-	-
Borrowings	9	56,460,000	51,830,000	-	-
Derivative Financial Instruments	20	486,552	246,457	-	-
Employee Entitlements	13	525,943	473,239	-	-
Income Tax Payable		12,446	290,071	-	-
TOTAL CURRENT LIABILITIES		61,072,827	56,137,357	22,576	22,971
TOTAL LIABILITIES		87,588,144	81,863,693	22,576	22,971
TOTAL EQUITY AND LIABILITIES		223,779,932	212,845,834	136,214,364	131,005,112

For and on behalf of the Board

Cathy Sanders
 CT Sanders, Trustee

12-08-19
 Date

9
 AJ Bateman, Trustee

12/08/19
 Date

The accompanying notes form part of these financial statements



WAIPA NETWORKS TRUST
STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2019

	Note	Group		Parent	
		2019 \$	2018 \$	2019 \$	2018 \$
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		28,547,987	29,338,131	-	-
Payments to suppliers and employees		(19,261,817)	(19,180,561)	(220,442)	(204,595)
Net GST		18,866	(17,964)	-	-
Cash generated from operations		<u>9,305,036</u>	<u>10,139,606</u>	<u>(220,442)</u>	<u>(204,595)</u>
Interest Received		2,037	68,009	184,751	150,775
Interest paid		(2,148,177)	(1,992,767)	-	-
Taxes Paid		(2,317,999)	(2,426,892)	-	-
Net Cash Flows from Operating Activities	19	<u>4,840,897</u>	<u>5,787,956</u>	<u>(35,691)</u>	<u>(53,820)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sale of Property, Plant and Equipment		90,295	71,738	-	-
Loan to Waipa Networks Ltd		-	-	(32,931)	(3,092,489)
Capital contributions		3,223,658	2,407,153	-	-
Purchase of Property, Plant and Equipment		(5,670,608)	(5,407,378)	-	(1,012)
Purchase of intangible assets		(108,532)	(275,509)	-	-
Purchase of investments		(7,137,041)	(4,614,735)	-	-
Net cash flows from investing activities		<u>(9,602,228)</u>	<u>(7,818,731)</u>	<u>(32,931)</u>	<u>(3,093,501)</u>
CASH FLOW FROM FINANCING ACTIVITIES					
Increase/(decrease) in borrowings		4,597,069	(1,022,489)	-	-
Net cash flows from financing activities		<u>4,597,069</u>	<u>(1,022,489)</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in cash held		(164,262)	(3,053,264)	(68,622)	(3,147,321)
Cash & cash equivalents at 1 April		269,282	3,322,546	159,752	3,307,073
Cash & cash equivalents at 31 March		<u>105,020</u>	<u>269,282</u>	<u>91,130</u>	<u>159,752</u>
CASH BALANCES IN THE BALANCE SHEET		<u>105,020</u>	<u>269,283</u>	<u>91,130</u>	<u>159,753</u>

The accompanying notes form part of these financial statements



WAIPA NETWORKS TRUST

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

1 STATEMENT OF ACCOUNTING POLICIES

Reporting Entity

Waipa Networks Trust (the Trust) is a trust established in terms of a trust deed dated 1 May 1993. It is also referred to as the parent.

The group consists of Waipa Networks Trust and its wholly owned subsidiary, Waipa Networks Limited.

The Trust and Group financial statements have been prepared in accordance with the Trust deed and section 46A of the Energy Companies Act 1992.

Statement of Compliance

The Financial Statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). The Financial Statements comply with the New Zealand Equivalent to International Financial Reporting Standards (NZ IFRS), as appropriate for profit-oriented entities.

Basis of Preparation

The functional and reporting currency used in preparation of the Financial Statements is New Zealand dollars. They are prepared on a historical cost basis.

These Financial Statements have been prepared in accordance with NZ IFRS that are effective or available.

These general purpose financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 2013 and the Companies Act 1993.

Critical Accounting Estimates and Adjustments

The preparation of Financial Statements in conformity with NZ IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(i) Revenue recognition for line revenue

The company invoices its customers monthly for the network services on the basis of usage advised by retailers, including estimated amounts for accrued sales from meters unread as at end of month.

Management has made an allowance in revenue and in trade receivables for any amounts which are estimated to be under or over charged as at balance date.

(ii) Useful lives of property, plant and equipment

The Company reviews the estimated useful lives of property, plant and equipment at each balance sheet date. In this financial year it was deemed that no change to the estimated useful lives was needed. The carrying value of property, plant and equipment is disclosed in note 14 Property, Plant and Equipment.

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

FOR THE YEAR ENDED 31 MARCH 2019

1 STATEMENT OF ACCOUNTING POLICIES (Cont)

Changes in Accounting Policies

New and amended standards and interpretations.

The Trust applied changes to NZ IFRS 15 and NZ IFRS 9 for the first time in 2019 effective from 1 April 2018. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

NZ IFRS 15 supersedes NZ IAS 11 Construction Contracts, NZ IAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. NZ IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

NZ IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

NZ IFRS 9 Financial Instruments replaces NZ IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting

NZ IFRS 9 introduced a new expected credit losses model that replaces the incurred loss impairment model used in NZ IAS 39 for calculating the provision for doubtful debts.

There have been no change to the measurement category or the the carrying amount of the Financial Instruments on the initial application of NZ IFRS 9.

NZ IFRS 15 and NZ IFRS 9 have had no impact on the Statement of Comprehensive Income and Balance Sheet.

There have been no other changes in accounting policies. The accounting policies set out below have been applied consistently to all periods presented in these Financial Statements.

a) Consolidation

Where the Trust has control over an investee, it is classified as a subsidiary. The Trust controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

The consolidated financial statements present the results of the Trust and its subsidiaries ("the Group") as if they formed a single entity. Inter-entity transactions and balances between group entities are therefore eliminated in full.

Associates are entities in which the Trust has significant influence but not control over the operating and financial policies.

Investments in associates are accounted for using the equity method. The investment is initially recognised at cost and adjusted thereafter by the trusts share of the net profit recognised in the income statement. The associate has an accounting policy to revalue the property plant and equipment (specifically it's fibre network assets) which differs from Waipa Networks policy, as their assets are a different class to Waipa's, no adjustment is made as a result of the difference between the accounting policies of the Trust and the associate. The Trust's share of any other gains and losses of associates charged directly to equity is recognised in other comprehensive income. Dividends received from associates are credited to the carrying amount of the investment in associates in the financial statements.

Loans to associates are recorded at original investment plus any capitalised interest.

b) Property, Plant and Equipment

Items of property plant and equipment are stated at cost less accumulated depreciation and impairment losses.

The cost of purchased property plant and equipment is the value of the consideration given to acquire the assets and the value of other directly attributable costs, which have been incurred in bringing the assets to the location and condition necessary for their intended use.

The cost of the assets constructed by Waipa Networks, including capital works in progress, includes the cost of all materials used in construction, direct labour and other directly attributable costs, which have been incurred to bring the assets to the location and condition necessary for their intended use. Borrowing costs are capitalised in respect of qualifying assets which take three months or more to construct.

Certain items of property plant and equipment that had been revalued to fair value on or prior to 1 April 2006, the date of transition to NZIFRS, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

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

FOR THE YEAR ENDED 31 MARCH 2019

1 STATEMENT OF ACCOUNTING POLICIES (Cont)

Where parts of an item of property plant and equipment have different useful lives, they are accounted for as separate items of property plant and equipment.

Subsequent expenditure incurred to replace a component of an item of property plant and equipment, that extends the estimated life of the asset, is capitalised. All other expenditure is recognised in the statement of comprehensive income as an expense as incurred.

Leased Assets

Leases in which Waipa Networks assumes substantially all the risks and rewards of ownership are classified as finance leases. Any asset acquired by way of a finance lease is stated at an amount equal to the lower of the fair value or present value of the future minimum lease payments at inception of the lease.

Depreciation

Depreciation is charged to the statement of comprehensive income on a straight-line basis so as to allocate the cost of the assets over the estimated useful lives of each part of an item of property plant and equipment. Land is not depreciated.

The range of annual depreciation rates for each classification of property plant and equipment is as follows;

Buildings	1% to 3%
Buildings fitout	2% to 10%
Reticulation System	1% to 2.5%
Other Electrical	1% to 2.5%
Motor Vehicles	10% to 20%
Computer Equipment	20%
Plant, Furniture and Fittings	10% to 50%

Asset residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

c) Intangible Assets

Goodwill on acquisitions of businesses is included in 'intangible assets'. Goodwill is carried at cost less accumulated impairment losses. At balance date, the company assesses whether there is any indication that goodwill may be impaired. If any such indication exists, the company estimates the recoverable amount of the asset. Impairment losses on goodwill are not reversed. Goodwill is allocated to cash-generating units (CGUs) for the purpose of impairment testing. The allocation is made to those CGUs units that are expected to benefit from the synergies of the business combination.

Computer software assets are stated at cost less accumulated amortisation and impairment losses. Amortisation is charged to the statement of comprehensive income on a straight-line basis so as to allocate the cost of the assets over the estimated useful lives.

The useful lives and associated amortisation rates have been estimated as follows;

Computer Software	5 years	20%
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Acquired easement rights are capitalised on the basis of the direct costs incurred including injurious affection payments.

Easements are deemed to have an indefinite useful life, as the contracts do not have a maturity date and the Company expects to use the easements indefinitely. Therefore, easements are not amortised.

Their value is assessed annually for impairment, and their carrying value is written down if found impaired.

Where the rights have an expiration date, amortisation is charged to the statement of comprehensive income on a straight-line basis so as to allocate the cost of the assets over the useful life.

d) Inventories

Inventories are stated at the lower of weighted average cost and net realisable value.

Cost of work in progress and finished goods includes the cost of direct materials, direct labour and a proportion of the manufacturing overhead expended in putting the inventories in their present location and condition.

e) Trade and other receivables

Accounts receivables are stated at their expected realisable value after providing for doubtful debts. Bad debts are written off in the period they are identified.

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

FOR THE YEAR ENDED 31 MARCH 2019

1 STATEMENT OF ACCOUNTING POLICIES (Cont)

f) Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances and deposits with maturities of one year or less. Bank overdrafts that are repayable on demand and form an integral part of the company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

g) Financial Instruments

Financial assets and financial liabilities are recognised on the Balance Sheet when the entity becomes a party to the contractual provisions of the instrument. Interest rate swaps are used to reduce the Company's exposure to interest rate risk on financing transactions.

The fair value of various derivative instruments used for hedging purposes are disclosed in note 20.

The derivatives are subsequently measured at their fair value at each balance date with the resulting gain or loss recognised in the comprehensive income. The Company has elected not to apply hedge accounting.

The recoverable amount of assets is the greater of the net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

i) Revenue

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied. The entity recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Entity's activities, as described below.

The entity invoices its customers (predominately electricity retailers) monthly for electricity delivery services across the region's lines network. The Entity's obligation is to provide a single performance obligation of continuous service to which the customer benefits incrementally over time as the service is delivered. 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.

Contracting sales are recognised in the statement of comprehensive income when the significant risks and rewards of ownership have been transferred to the buyer by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided. The entity provides a 3 year warranty on materials and labour for electrical works constructed. They serve as an assurance that the products sold comply with agreed-upon specifications. No provision for the warranty has been provided as the claims made are not material.

Rental income is recognised in the statement of comprehensive income on a monthly basis.

Contributions received from Local Authorities towards the cost of additions or modifications to the Reticulation Assets are invoiced when received and recognised in the balance sheet initially as deferred income. When there is reasonable assurance that it will be received and the Entity will comply with the conditions attached to it, the revenue is recognised in the statement of comprehensive income as operating income on a straight-line basis over 40 years.

Other contributions towards the cost of additions or modifications to the Reticulation Assets are invoiced when received and 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.

Asset title and obligation to maintain resides with the Entity and the asset is capitalised as part of the electricity reticulation asset.

Interest income is recognised in the statement of comprehensive income as it accrues.

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

FOR THE YEAR ENDED 31 MARCH 2019

1 STATEMENT OF ACCOUNTING POLICIES (Cont)

j) Employee Entitlements

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

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, sick leave and gratuities when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits expected to be settled within 12 months are measured as the amount unpaid at balance sheet date at current pay rates in respect of the employees' service up to that date.

Provisions made in respect of employee benefits not expected to be settled within 12 months are measured as the amount of future benefit that employees have earned in return for their service in the current and prior periods up to the balance sheet date. The obligation is calculated using the projected unit credit method and is discounted to its present value.

k) Taxation

The income tax on the profit or loss for the year includes both current and deferred tax. The income tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly to equity, in which case the income tax is recognised in equity.

Current tax is the expected tax payable on the taxable income for the period using tax rates enacted or substantively enacted at the Balance Sheet date together with any adjustment to tax payable in respect of previous years.

Deferred tax is calculated using the Balance Sheet liability method providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the Balance Sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

l) Trade and other payables

Trade payables and other accounts payable are recognised when the company becomes obligated to make future payments resulting from the purchase of goods and services.

m) Goods and Service Tax

The Statement of Comprehensive Income and Statement of Cash Flows have been prepared so that all components are stated exclusive of GST. All items in the Balance Sheet are stated exclusive of GST with the exception of receivables and payables which include GST invoiced.

2 REVENUE

	Group		Parent	
	2019	2018	2019	2018
	\$	\$	\$	\$
Network line services	30,837,199	30,985,533	-	-
Contracting sales	2,792,714	4,016,802	-	-
Capital contributions	2,765,281	2,620,399	-	-
Sundry income	149,392	73,451	-	-
Loss rental rebates	376,306	645,906	-	-
Total Revenue	36,920,892	38,342,091	-	-



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

FOR THE YEAR ENDED 31 MARCH 2019

	Group		Parent	
	2019	2018	2019	2018
	\$	\$	\$	\$
3 OPERATING EXPENSES				
Audit fees for these financial statements	67,147	66,171	3,025	2,944
Audit fees for disclosure financial statements	30,000	18,000	-	-
Trustees Fees	90,566	87,288	90,566	87,288
Depreciation	4,513,984	4,384,854	753	1,529
Amortisation of intangible assets	19,777	23,094	-	-
Transmission charges	8,785,245	9,682,993	-	-
Employee benefits	5,576,826	4,982,637	28,722	28,597
Directors' fees	221,605	232,846	-	-
Materials and Contractors	2,313,540	2,772,042	-	-
Bad debts	55,787	(5,000)	-	-
Change in Provision for Doubtful Debts	15,000	30,000	-	-
Other expenses	2,591,150	1,893,239	97,734	64,139
Total Expenses	24,280,627	24,168,164	220,800	184,497
4 TAX				
Profit/(Loss) Before Tax	7,694,480	7,964,969	(36,049)	(33,722)
Tax Payable	2,164,548	2,239,633	-	-
Tax effect of non assessable revenue	(473,058)	(501,835)	-	-
Tax effect of expenses that are non deductible	730,680	870,114	-	-
Tax Expense	2,422,170	2,607,912	-	-
Under / (over) provision previous year	62,662	183	-	-
Adjustments Previous Years	-	-	-	-
Total Tax Expense	2,484,832	2,608,095	-	-
The Tax charge comprises:				
-current tax	1,977,712	2,154,181	-	-
-prior period adjustments to current tax	62,662	183	-	-
-deferred tax on temporary differences	444,458	453,731	-	-
Total Tax Expense	2,484,832	2,608,095	-	-
All temporary differences have been recorded in the financial statements				
Imputation credit memorandum account.				
Balance at the 1 April	18,928,394	16,501,504	-	-
Taxes received	-	-	-	-
Dividends Allocated	-	-	-	-
Tax paid	2,317,999	2,426,890	-	-
Balance at 31 March	21,246,393	18,928,394	-	-

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

FOR THE YEAR ENDED 31 MARCH 2019

5 DEFERRED TAX

	Group		Parent	
	2019 \$	2018 \$	2019 \$	2018 \$
Balance at 1 April	21,914,577	21,460,846	-	-
Deferred portion of current year tax expense	444,459	453,731	-	-
Balance at end of year	<u>22,359,036</u>	<u>21,914,577</u>	-	-

The tax rate used in the above reconciliation is the corporate tax rate of 28% (2018:28%) payable by corporate entities on taxable profits under New Zealand tax law.

The Deferred Taxation liability comprises of ;

Tax Effect on Timing differences	361,714	257,749	-	-
Tax effect on the Reticulation Assets being the difference between IRD Cost and IRD current Value.	13,702,828	12,613,088	-	-
Tax effect of the difference between the carrying amount of the Reticulation Assets and the IRD Cost of the Reticulation Assets.	8,037,272	8,783,710	-	-
Tax effect of the carrying amount of the Building partly constructed as at 20 May 2010 as building depreciation is non deductible for tax	257,222	260,030	-	-
	<u>22,359,036</u>	<u>21,914,577</u>	-	-

	Group		Parent	
	2019 \$	2018 \$	2019 \$	2018 \$
<i>Deferred tax Property, plant and equipment</i>				
Balance at 1 April	22,058,511	21,751,782	-	-
Charged to statement of comprehensive income	318,382	306,729	-	-
Charged to equity	-	-	-	-
Balance at 31 March	<u>22,376,893</u>	<u>22,058,511</u>	-	-
<i>Deferred tax employee entitlements</i>				
Balance at 1 April	(159,837)	(147,945)	-	-
Charged to statement of comprehensive income	(15,667)	(11,892)	-	-
Charged to equity	-	-	-	-
Balance at 31 March	<u>(175,504)</u>	<u>(159,837)</u>	-	-
<i>Deferred tax other</i>				
Balance at 1 April	15,903	(142,991)	-	-
Charged to statement of comprehensive income	141,744	158,894	-	-
Charged to equity	-	-	-	-
Balance at 31 March	<u>157,647</u>	<u>15,903</u>	-	-
<i>Deferred tax total</i>				
Balance at 1 April	21,914,577	21,460,846	-	-
Charged to statement of comprehensive income	444,459	453,731	-	-
Charged to equity	-	-	-	-
Balance at 31 March	<u>22,359,036</u>	<u>21,914,577</u>	-	-



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

FOR THE YEAR ENDED 31 MARCH 2019

6 TRUST CAPITAL

	Group		Parent	
	2019	2018	2019	2018
	\$	\$	\$	\$
Balance at beginning of year	100	100	100	100
Balance at end of year	100	100	100	100

7 RETAINED EARNINGS

Balance at beginning of year	130,982,041	125,625,166	3,230,801	3,264,523
Net Surplus after Taxation	5,209,648	5,356,875	(36,049)	(33,722)
Balance at end of year	136,191,689	130,982,041	3,194,752	3,230,801

8 CASH AND CASH EQUIVALENTS

Current Account	105,020	139,103	91,130	29,753
Short Term Investments	-	130,000	-	130,000
	105,020	269,103	91,130	159,753

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



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

FOR THE YEAR ENDED 31 MARCH 2019

	Group		Parent	
	2019	2018	2019	2018
	\$	\$	\$	\$
9 BORROWINGS				
Debt Facility	56,460,000	51,830,000	-	-
	56,460,000	51,830,000	-	-

The debt facility relates to a multi-option credit facility totalling \$60 million (2018 \$60 million). A facility fee rate is charged and the drawn balance is charged interest at a variable interest rate. The facilities expire as follows:

Facility expiry date	Total Facility	Total Facility
31 July 2021	25,000,000	-
31 May 2022	5,000,000	-
31 August 2022	30,000,000	-
25 June 2019		60,000,000
	60,000,000	60,000,000

The Group is required to ensure that the following financial covenant ratios for unsecured debt facilities are achieved during the financial year:

- interest cover ratio (earnings to fund costs) will be greater than or equal to 3.0 to 1 at all times
- total leverage ratio (total permitted indebtedness to EBITDA) will be less than 4.0 to 1 at all times

The unsecured debt facilities become repayable on demand in the event those covenants are breached or if the company fails to make interest and principal payments when they fall due. The company has complied with all covenants and borrowing repayment obligations during the financial year.

The amounts disclosed above are the undiscounted contracted cash flows.

The carrying amount for borrowings equals the fair value

10 TRADE AND OTHER RECEIVABLES

Trade receivables	3,825,191	3,436,950	-	-
Trade debtors from Related Parties	2,578	2,578	-	-
Provision for Doubtful Debts	(110,000)	(95,000)	-	-
	3,717,769	3,344,528	-	-
Accrued Income	-	-	-	-
Prepayments	65,524	70,488	-	-
	3,783,293	3,415,016	-	-

Trade and other receivables are non-interest bearing and are normally settled on 30 day terms, therefore the carrying value of trade and other receivables approximate their fair value. A provision has been made for estimated irrecoverable amounts from the sale of goods and services determined by reference to past default experience and the current economic climate.

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

FOR THE YEAR ENDED 31 MARCH 2019

	Group		Parent	
	2019	2018	2019	2018
	\$	\$	\$	\$
10 TRADE AND OTHER RECEIVABLES (Cont)				
As at 31 March 2019 the ageing analysis of trade receivables is as follows:				
	2019		2018	
	Gross	Impairment	Gross	Impairment
0 - 30 days	3,459,212	-	3,114,734	-
31 - 60 days	28,238	-	54,137	-
61 - 90 days	70,403	20,708	10,125	2,025
91 days plus	267,338	89,292	257,954	92,975
	<u>3,825,191</u>	<u>110,000</u>	<u>3,436,950</u>	<u>95,000</u>
11 INVENTORIES				
Stock	1,388,350	1,267,273	-	-
Work in Progress	26,954	147,867	-	-
	<u>1,415,304</u>	<u>1,415,140</u>	-	-
12 TRADE AND OTHER PAYABLES				
Accounts payable and accruals-trade	2,259,269	2,195,852	22,576	22,971
Capital Contributions in advance	1,326,669	1,099,479	-	-
Payables to directors	1,948	2,259	-	-
	<u>3,587,886</u>	<u>3,297,590</u>	<u>22,576</u>	<u>22,971</u>
13 EMPLOYEE ENTITLEMENTS				
Current employee entitlements	525,943	473,239	-	-
Non current employee entitlements	213,826	205,149	-	-
Total employee entitlements	<u>739,769</u>	<u>678,388</u>	-	-
14 PROPERTY, PLANT & EQUIPMENT				
Freehold Land				
Cost to 1 April	1,252,334	1,252,334	-	-
Current year additions	-	-	-	-
Current year disposals	-	-	-	-
Cost to 31 March	<u>1,252,334</u>	<u>1,252,334</u>	-	-
Freehold Buildings				
Cost to 1 April	2,804,238	2,804,238	-	-
Accumulated Depreciation to 1 April	214,380	186,081	-	-
Net Book Value 1 April	2,589,858	2,618,157	-	-
Current year additions	-	-	-	-
Current year disposals	-	-	-	-
Current year depreciation	28,298	28,298	-	-
Cost to 31 March	2,804,238	2,804,238	-	-
Accumulated Depreciation to 31 March	242,676	214,380	-	-
Net Book Value	<u>2,561,562</u>	<u>2,589,858</u>	-	-



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

FOR THE YEAR ENDED 31 MARCH 2019

	Group		Parent	
	2019	2018	2019	2018
	\$	\$	\$	\$
14 PROPERTY, PLANT & EQUIPMENT (Cont)				
Building Fitout				
Cost to 1 April	3,170,617	3,159,878	-	-
Accumulated Depreciation to 1 April	1,730,362	1,494,617	-	-
Net Book Value 1 April	1,440,255	1,665,261	-	-
Current year additions	9,592	880	-	-
Current year disposals	1,264	-	-	-
Current year depreciation	236,621	235,746	-	-
Cost to 31 March	3,177,452	3,170,617	-	-
Accumulated Depreciation to 31 March	1,965,490	1,730,362	-	-
Net Book Value	1,211,962	1,440,255	-	-
Reticulation Assets				
Cost to 1 April	147,705,679	143,050,868	-	-
Accumulated Depreciation to 1 April	32,703,583	29,304,626	-	-
Net Book Value 1 April	115,002,096	113,746,242	-	-
Current year additions	4,948,942	4,778,673	-	-
Current year disposals	70,152	56,375	-	-
Current year depreciation	3,555,007	3,466,444	-	-
Cost to 31 March	152,515,055	147,705,679	-	-
Accumulated Depreciation to 31 March	36,189,176	32,703,583	-	-
Net Book Value	116,325,879	115,002,096	-	-
Capital work in progress included in cost & net book amount	1,383,495	800,665	-	-
Other Electrical Assets				
Cost to 1 April	4,177,709	4,167,671	-	-
Accumulated Depreciation to 1 April	1,838,161	1,759,478	-	-
Net Book Value 1 April	2,339,548	2,408,193	-	-
Current year additions	174,553	10,039	-	-
Current year disposals	-	-	-	-
Current year depreciation	78,647	78,684	-	-
Cost to 31 March	4,352,262	4,177,709	-	-
Accumulated Depreciation to 31 March	1,916,808	1,838,161	-	-
Net Book Value	2,435,454	2,339,548	-	-



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

FOR THE YEAR ENDED 31 MARCH 2019

	Group		Parent	
	2019	2018	2019	2018
	\$	\$	\$	\$
14 PROPERTY, PLANT & EQUIPMENT (Cont)				
Motor Vehicles				
Cost to 1 April	5,054,834	4,894,234	-	-
Accumulated Depreciation to 1 April	3,423,349	3,149,655	-	-
Net Book Value 1 April	1,631,485	1,744,579	-	-
Current year additions	372,213	365,292	-	-
Current year disposals	42,229	46,527	-	-
Current year depreciation	453,829	431,859	-	-
Cost to 31 March	5,215,450	5,054,834	-	-
Accumulated Depreciation to 31 March	3,707,810	3,423,349	-	-
Net Book Value	1,507,640	1,631,485	-	-
Plant, Furniture and Fittings				
Cost to 1 April	10,160	3,189,345	5,080	4,761
Accumulated Depreciation to 1 April	7,100	2,565,487	3,550	2,714
Net Book Value 1 April	3,060	623,858	1,530	2,047
Current year additions	263,688	175,445	-	1,049
Current year disposals	9,832	5,647	-	38
Current year depreciation	161,584	143,823	753	1,529
Cost to 31 March	3,546,508	3,336,823	5,080	5,081
Accumulated Depreciation to 31 March	2,803,886	2,686,472	4,304	3,551
Net Book Value	742,622	650,351	776	1,530
Total Net Book Value	126,037,453	124,905,927	776	1,530
15 INTANGIBLE ASSETS				
Software				
Cost to 1 April	417,422	393,224	-	-
Accumulated Amortisation to 1 April	373,260	350,167	-	-
Net Book Value 1 April	44,162	43,057	-	-
Current year additions	33,159	24,199	-	-
Current year amortisation	19,777	23,094	-	-
Cost to 31 March	450,582	417,422	-	-
Accumulated Amortisation to 31 March	393,038	373,260	-	-
Net Book Value	57,544	44,162	-	-

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

FOR THE YEAR ENDED 31 MARCH 2019

	Group		Parent	
	2019 \$	2018 \$	2019 \$	2018 \$
15 INTANGIBLE ASSETS (Cont)				
Goodwill				
Cost to 1 April	62,020	62,020	-	-
Accumulated impairment to 1 April	62,020	62,020	-	-
Net Book Value 1 April	-	-	-	-
Current year additions	-	-	-	-
Current year amortisation	-	-	-	-
Cost to 31 March	62,020	62,020	-	-
Accumulated Impairment to 31 March	62,020	62,020	-	-
Net Book Value	-	-	-	-
Easements				
Cost to 1 April	4,405,124	4,153,814	-	-
Accumulated impairment to 1 April	-	-	-	-
Net Book Value 1 April	4,405,124	4,153,814	-	-
Current year additions	75,372	251,310	-	-
Current year impairment	-	-	-	-
Cost to 31 March	4,480,496	4,405,124	-	-
Accumulated Impairments to 31 March	-	-	-	-
Net Book Value	4,480,496	4,405,124	-	-
Capital work in progress included in cost and net book amount	111,600	213,840	-	-
Total Net Book Value	4,538,040	4,449,286	-	-
16 INVESTMENTS				
Investments in Associates carried at cost	-	-	-	-
Shareholding in Associates	Percentage Held			
Waikato Networks Limited (Fibre Contracting Company)	15%	15%	-	-
Investments in Associates				
Waikato Networks Limited	6,436,350	7,355,700	-	-



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

FOR THE YEAR ENDED 31 MARCH 2019

	Group		Parent	
	2019	2018	2019	2018
	\$	\$	\$	\$
16 INVESTMENTS (Cont)				
Loans to Associates				
Waikato Networks Limited				
Loans as at 1 April	70,731,395	63,335,522	-	-
Loans advanced during year	7,137,041	4,614,735	-	-
Loan repayments received	-	-	-	-
Interest charged	3,301,653	2,781,138	-	-
Interest received	-	-	-	-
Loans as at 31 March	81,170,089	70,731,395	-	-
Interest is charged on the loan at 4.64% pa (2018 4.07% pa) and the loan has no predetermined settlement date. The loan is unsecured and the interest rates are as at balance date.				
No significant restrictions apply to the ability of the associate to transfer funds to the entity in the form of cash dividends, or repay loans or advances made by the entity.				
Waikato Networks Ltd is incorporated in New Zealand and has a balance date of 31 March.				
	87,606,439	78,087,095	-	-
17 EMPLOYEE BENEFITS				
Superannuation - defined contribution plans	137,856	122,394	-	-
Other Employee benefits included in operating expenses	5,438,970	4,860,243	28,722	28,597
Other Employee benefits capitalised to Property, Plant and Equipment	403,871	462,312	-	-
Total Employee benefits	5,980,697	5,444,949	28,722	28,597
18 FINANCE COSTS				
Bank Borrowing costs	2,193,528	2,140,086	-	-
Less Interest Capitalised on Construction of Property, Plant and Equipment	-	-	-	-
Less Interest rate swaps - cashflow hedges	344,753	426,726	-	-
Total Employee benefits	2,538,281	2,566,812	-	-

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

FOR THE YEAR ENDED 31 MARCH 2019

	Group 2019 \$	Group 2018 \$	Parent 2019 \$	Parent 2018 \$
19 RECONCILIATION OF NET SURPLUS TO NET CASH FLOWS FROM OPERATING ACTIVITIES				
Reported Profit/(Loss) after tax	5,209,647	5,356,875	(36,050)	(33,722)
Add (Less) Non Cash Items:	-	-	-	-
Depreciation	4,513,984	4,384,854	753	1,529
Amortisation of Intangible Assets	19,777	23,094	-	-
Impairment on Goodwill	-	-	-	-
Unrealised Interest rate swaps-loss/(gain)hedges	344,753	426,726	-	-
Increase (Decrease) in deferred tax	444,459	453,731	-	-
Increase in Term Employee entitlements	8,677	6,830	-	-
	<u>10,541,297</u>	<u>10,652,110</u>	<u>(35,297)</u>	<u>(32,193)</u>
Add (Less) Movements in Working Capital Items				
Decrease (Increase) in Tax Receivables	(277,625)	(272,527)	-	-
Decrease (increase) in Trade and Other Receivables	(368,277)	(784,503)	-	-
Decrease (Increase) in Inventories	(164)	(243,868)	-	-
Increase (Decrease) in Trade and Other Payables	277,876	(66,139)	(395)	(42,785)
Increase (Decrease) in Interest Expense Accrual	12,420	54,829	-	-
Increase (Decrease) in Employee Entitlements	52,704	69,635	-	21,158
	<u>(303,066)</u>	<u>(1,242,573)</u>	<u>(395)</u>	<u>(21,627)</u>
	<u>10,238,231</u>	<u>9,409,537</u>	<u>(35,692)</u>	<u>(53,820)</u>
Add (Less) Items Classified as Investing Activities				
Net Loss on Disposal of Assets	33,180	36,772	-	-
Increase (Decrease) in Creditors for Property, Plant and Equipment	(98,377)	77,087	-	-
Share of net profit(loss) of associates	919,350	1,428,600	-	-
Capital Contributions	(2,992,471)	(2,485,095)	-	-
Decrease/(Increase) in Prepayments	9,705	9,704	-	-
Interest added to investment	(3,209,164)	(2,688,649)	-	-
	<u>(5,337,777)</u>	<u>(3,621,581)</u>	<u>-</u>	<u>-</u>
Add (Less) Items Classified as Financing Activities				
Interest added to Related Party Borrowings	(59,558)	-	-	-
	<u>(59,558)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Cash Inflows from Operating Activities	<u>4,840,896</u>	<u>5,787,956</u>	<u>(35,692)</u>	<u>(53,820)</u>

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

FOR THE YEAR ENDED 31 MARCH 2019

Group 2019	Group 2018	Parent 2019	Parent 2018
\$	\$	\$	\$

20 DERIVATIVE FINANCIAL INSTRUMENTS

The group had the following derivative financial instruments carried at fair value at year end as follows:

Valuation technique using observable inputs - Financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable (Level 2).

Current interest rate swaps - cash flow hedges	486,552	246,457	-	-
Non current interest rate swaps - cash flow hedges	451,493	346,835	-	-
Total interest rate swaps - cash flow hedges	938,045	593,292	-	-

The principal amounts of the outstanding interest rate swap contracts at 31 March 2019 were \$48 million (2018 \$48 million) Gains and losses in movement of fair value for future cashflows are recognised through the income statement in finance costs.

21 FINANCIAL INSTRUMENTS

Liquidity Risk

Liquidity risk is the risk that the entity may be unable to meet their financial obligations as they fall due. This risk is managed by maintaining sufficient cash and deposits together with access to committed credit facilities. The Trusts exposure to liquidity risk is disclosed in note 12.

Credit Risk

In the normal course of its business, Waipa Networks incurs credit risk from trade receivables from customers. Waipa Networks largest customer accounts for 17% (2018:17%) of total sales and 15% (2018:17%) of trade receivables at balance date for which a bank performance bond is held. There are no other significant concentrations of credit risk and Waipa Networks generally does not require any collateral.

Waipa Networks places its cash and short term deposits with high credit quality financial institutions with a recognised credit rating of A- or better and limits the amount of credit exposure to any one institution, as set forth by the Board of Directors. While the company may be subject to credit losses up to the contract amounts in the event of non-performance by other parties, it does not expect such losses to occur.

Market Risk

Price Risk

Waipa Networks is not exposed to price risk as it has no instruments subject to market prices.

Currency Risk

Waipa Networks enters into forward exchange contracts for any significant capital transaction conducted in currency other than the New Zealand dollar to eliminate the effects of any currency fluctuations, these are recognised when the transaction occurs. There are no currency hedges as at 31 March 2019 (2018:Nil).

Interest Rate Risk

Waipa Networks is exposed to changes in the market interest rate relating to the Company's short term debt obligations. The Company's policy is to manage interest rate risk by funding ongoing activities with short term borrowings funded at fixed term interest rates. Interest rate swaps are used to reduce the Company's exposure to interest rate risk on long term funding requirements. The Company borrowings are drawn to fund ongoing operations and capital expenditure programs.

Fair Value

The carrying value of financial instruments approximates their fair value.

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

FOR THE YEAR ENDED 31 MARCH 2019

22 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

There are no contingent liabilities as at 31 March 2019 (2018:\$Nil).

There are commitments for future capital expenditure of \$337,103 as at 31 March 2019 (2018:\$251,073).

Pursuant to the Waikato Networks Limited shareholders agreement there is a commitment for capital requirements and the guarantee obligations during the next 2 years which will if required either be funded from operating profit, current debt or long term debt.

23 SEGMENTAL REPORTING

The Trusts financial statements are based on the information that internally is provided to the CEO, who is the Group's chief operating decision maker. Waipa Networks operates predominantly in one industry, the distribution of electricity. All operations are carried out within New Zealand, and are therefore within one geographical segment for reporting purposes.

Major Customers

Revenue from 4 (2018: 4) customers of \$20,862,250 (2018: \$19,891,204) represents 57% (2018: 52%) of the entity's total revenues.

24 EVENTS SUBSEQUENT TO BALANCE DATE

There have been no significant events during the period since year end which have an impact on the information presented as at balance date.

25 RELATED PARTIES

As part of its everyday business Waipa Networks Ltd passes rebates to retail electricity users in its network. Directors and staff of Waipa Networks Ltd and Trustees of Waipa Networks Trust that are connected to the company's network have received these rebates calculated on the same basis as other retail electricity user rebates.

	2019	2018
Related Party Transactions with Waikato Networks Ltd:	\$	\$
Interest income (capitalised to loan)	3,301,653	2,781,138
Revenue received to make ready poles for attachment of fibre	-	2,196
Revenue received for pole rental	-	11,222
Trade Debtors	-	-
Loan	81,170,089	70,731,395
Related Party Transactions with Ultrafast Fibre Ltd:		
Revenue received to make ready poles for attachment to fibre	1,712	3,909
Revenue received for pole rental	26,903	15,700
Trade Debtors	2,578	2,578
Related Party Transactions with EcovisKGA Ltd (a company associated with Keith Goodall):		
Consulting fees	-	-
Trade Creditors	-	-

There are no other related party transactions.

No related party debts were forgiven or written off during 2019 or 2018.



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

FOR THE YEAR ENDED 31 MARCH 2019

	Group 2019 \$	Group 2018 \$	Parent 2019 \$	Parent 2018 \$
25 RELATED PARTIES (Cont)				
Remuneration of Key Management Personnel				
Short term employee benefits	1,000,186	917,147	-	-
Post-employment benefits	-	-	-	-
Secretary & Trustees Fees	119,288	115,885	119,288	115,885
Director's Fees	221,605	232,846	-	-
	1,341,079	1,265,878	119,288	115,885

The remuneration of directors is determined by the Waipa Networks Trust. The remuneration of the Chief Executive Officer is determined by the board having regard to the performance of the individual and market trends. The remuneration of other key management is determined by the Chief Executive Officer having regard to the performance of individuals and market trends.

26 PERFORMANCE MEASURES

All figures in the following note relate to the company (Waipa Networks Ltd) only.

Under Section 44 of the Energy Companies Act 1992, the Company is required to report its performance against targets set out in the Statement of Corporate Intent for the year. The performance of the business for the year ended 31 March 2019 is as follows:

	Target	2019	2018
Financial Performance Indicators			
Profit before interest expense and tax as a percentage of total assets	4.60%	4.67%	5.01%
Profit after tax as a percentage of equity	4.40%	4.02%	4.31%
Ratio of Equity to total assets	55.00%	59.46%	60.07%
Efficiency Performance Measures			
Maintenance costs per electricity customer	\$180	\$209	\$173
Operational expenditure per electricity customer	\$100	\$104	\$85
Energy Delivery efficiency performance measures			
Loss Ratio	6.50%	5.48%	5.09%
Network Reliability performance measures			
Faults per 100km lines (11kv)	10.8	10.8	11
SAIDI (average minutes per customer)	213	168	217
SAIFI (average interruptions per customer)	2.27	1.37	1.81

The Statement of Corporate Intent SAIDI and SAIFI targets are set by using one standard deviation of the average of the last five years actual performance adjusted to target a gradual improvement.

Definitions

SAIDI = the system average interruption duration index

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

FOR THE YEAR ENDED 31 MARCH 2019

26 PERFORMANCE MEASURES (Cont)

Staff Safety

Lost time work accidents per 100 employees*	0.0	8.1	8.7
Percentage of hours lost per annum	0.00%	0.68%	0.47%
Total hours lost per annum	0	748	504

*With only 62 employees each work accident equates to about 1.6 accidents per 100 employees.

Our targets for staff safety are set at zero to reinforce our company mantra "Everyone home safe every day". While zero is the target we have had five Lost Time Injuries in the year resulting in 748 hours of lost time.

27 COMPARISON OF STATEMENT OF CORPORATE INTENT AND FINANCIAL RESULTS

All figures in the following note relate to the Company (Waipa Networks Ltd) only.

	Target \$	Actual \$
STATEMENT OF COMPREHENSIVE INCOME		
Line Charges	30,397,000	30,837,199
Less Discounts	4,800,000	4,758,664
Net line charges	25,597,000	26,078,535
Other Revenue	4,843,000	6,083,693
Net Revenue	30,440,000	32,162,228
Transmission	8,789,000	8,785,245
Operations	9,012,000	10,741,574
Depreciation	4,556,000	4,533,008
Operating Expenses	22,357,000	24,059,827
Profit from Operations	8,083,000	8,102,401
Interest income	3,157,000	3,301,870
Net loss on disposal of assets	60,000	(33,180)
Profit before interest expense and tax	11,300,000	11,371,091
Finance Costs	2,604,000	2,721,212
Share of net profit / (loss) of associates	-	(919,350)
Profit before tax	8,696,000	7,730,529
Tax	2,356,000	2,484,832
Profit after tax	6,340,000	5,245,697

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

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

FOR THE YEAR ENDED 31 MARCH 2019

27 COMPARISON OF STATEMENT OF CORPORATE INTENT AND FINANCIAL RESULTS (Cont)

All figures in the following note relate to the Company (Waipa Networks Ltd) only

	Target \$	Actual \$
BALANCE SHEET		
Assets		
Property, Plant and Equipment	133,004,000	126,036,677
Intangible assets	-	4,538,040
Prepayments	-	294,382
Investments in associates	-	6,436,350
Loans to associates	88,266,000	81,170,089
Total non-current assets	221,270,000	218,475,538
Cash and cash equivalents	100,000	13,890
Trade and other receivables	2,486,000	3,717,769
Prepayments	370,000	65,524
Work in Progress	200,000	26,954
Stock	900,000	1,388,350
Total current assets	4,056,000	5,212,487
Total assets	225,326,000	223,688,025
Equity	134,154,000	132,997,037
Liabilities		
Employee entitlements	-	213,826
Capital Contributions in advance	3,791,000	2,164,293
Derivative financial instruments	-	451,493
Deferred tax liabilities	21,767,000	22,359,036
Borrowings	60,492,000	-
Total non-current liabilities	86,050,000	25,188,648
Trade and other payables and capital contributions	2,222,000	3,565,310
Borrowings	-	59,585,420
Derivative financial instruments	-	486,552
Provisions	2,232,000	1,852,612
Income tax payable	668,000	12,446
Total current liabilities	5,122,000	65,502,340
Total liabilities	91,172,000	90,690,988
Total equity and liabilities	225,326,000	223,688,025

Current liabilities are above target and the non current liabilities are below target due to borrowing being current rather than non current.

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

FOR THE YEAR ENDED 31 MARCH 2019

27 COMPARISON OF STATEMENT OF CORPORATE INTENT AND FINANCIAL RESULTS (Cont)

All figures in the following note relate to the Company (Waipa Networks Ltd) only

	Target \$	Actual \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	27,973,000	28,547,987
Payments to suppliers and employees	(16,666,000)	(19,041,375)
Net GST	(56,000)	18,866
Cash generated from operations	<u>11,251,000</u>	<u>9,525,478</u>
Interest Received	-	217
Interest paid	(2,604,000)	(2,331,108)
Taxes Paid	(2,251,000)	(2,317,999)
Net Cash Flows from Operating Activities	6,396,000	4,876,588
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of assets	80,000	90,295
Capital contributions	2,194,000	3,223,658
Purchase of assets	(8,824,000)	(5,670,608)
Purchase of intangible assets	-	(108,532)
Purchase of investments	(3,000,000)	(7,137,041)
Net cash flows from investing activities	<u>(9,550,000)</u>	<u>(9,602,228)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Increase in borrowings	3,230,000	(4,630,000)
Net cash flows from financing activities	<u>3,230,000</u>	<u>(4,630,000)</u>
Net increase (decrease) in cash held	76,000	(95,640)
Cash & cash equivalents at 1 April	<u>24,000</u>	<u>109,530</u>
Cash & cash equivalents at 31 March	<u>100,000</u>	<u>13,890</u>
CASH BALANCES IN THE BALANCE SHEET	<u>100,000</u>	<u>13,890</u>

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



Independent Auditor's Report

To the Trustees of Waipa Networks Trust

Opinion on the consolidated financial statements and the performance information

We have audited:

- the consolidated financial statements of Waipa Networks Trust, and its controlled entity Waipa Networks Limited (together as the Group) on pages 2 to 25, that comprise the balance sheet as at 31 March 2019, the statement of comprehensive income, statement of movements in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information;
- The performance information of the company on pages 22 and 23

In our opinion:

- the financial statements of Waipa Networks Trust, and the consolidated financial statements of the Group:
 - present fairly, in all material respects:
 - its financial position as at 31 March 2019; and
 - its financial performance and cash flows for the year then ended; and
 - comply with generally accepted accounting practice in New Zealand in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards; and
- the performance information of the company presents fairly, in all material respects, the company's achievements measured against the performance targets adopted for the year ended 31 March 2019.

Our audit was completed on 14th August 2019. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Trustees and our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

Basis for our opinion

We carried out our audit in accordance with the International Standards on Auditing (New Zealand) (ISA (NZ)) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Trustees for the Group financial statements and the performance information

The Trustees are responsible on behalf of the trust for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand.

The Trustees are also responsible on behalf of the trust for preparing performance information that is fairly presented.

The Trustees are responsible for such internal control as they determine is necessary to enable it to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the Trustees are responsible on behalf of the trust for assessing the trust's ability to continue as a going concern. The Trustees are also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to liquidate or to cease operations, or there is no realistic alternative but to do so.

Responsibilities of the auditor for the audit of the Group financial statements and the performance information

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit carried out in accordance with ISA (NZ) will always detect a material misstatement when it exists.

Misstatements are differences or omissions of amounts or disclosures and can arise from fraud or error. Misstatements are considered material if, individually or in the

aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of these financial statements and performance information.

For the budget information reported in the financial statements and performance information, our procedures were limited to checking that the information agreed to the company's statement of corporate intent.

We did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

As part of an audit in accordance with ISA (NZ), we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- We evaluate the appropriateness of the reported performance information within the company's framework for reporting its performance;
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trustees.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Trustees and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Trustees regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

Independence

We are independent of the Group in accordance with the independence requirements of ISA (NZ), which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

Other than the audit, we have no relationship with or interests in the Group.



Jonathan Hurst
Finnz Ltd
Te Awamutu