

## Chairman's Report

To the Beneficiaries (Connected Consumers):

It is my privilege to report on the activities of the Waipa Networks Trust for the year ended 31 March 2021.

### Waipa Networks Trust

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

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

Any surplus Trust funds can only be reinvested in the Company, distributed to Connected Consumers or used for energy efficiency projects.

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

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

### Trust Functions

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

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

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

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

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

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

### Trustees of the Waipa Networks Trust

The Trustees of Waipa Networks Trust at 31 March 2021 were Craig Sanders (Chairman), Andrew Bateman (Deputy Chairman), Judy Bannon, Barbara Taranaki (QSM), Ashley Reid, and David McLean.

The triennial Election of Trustees took place in 2018. The next Election of Trustees is scheduled to take place this year (2021).

## **Trust Performance 2020 - 21**

### **Annual Plan 2020 - 2021**

The Trust met all its objectives concerning accountability to its Beneficiaries and financial forecasts outlined in the Annual Plan for the 2020-2021 year.

### **Financial Review of the Trust**

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

The book value of the 7.2 million shares held by the Trustees at 31 March 2021 based on the shareholders funds value in the Financial Statements of Waipa Networks Ltd was \$174,954,208 (2020 \$138,772,945).

The financial statements of Waipa Networks Trust for the year ended 31 March 2021 are available for your inspection on the Trust website [www.waipanetworkstrust.co.nz](http://www.waipanetworkstrust.co.nz) and at the office of the Company (240 Harrison Drive, Te Awamutu).

### **Guidelines on Access for Beneficiaries to Meetings and Information**

The Trust in the 2015/16 year formally updated the above mentioned Guidelines, copies of which are available on our website or upon request to the Trust Secretary.

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

### **Dividend**

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

## **Company Performance 2020/21**

### **Directors of Waipa Networks Ltd**

During the year, four Directors left the board. This included the retirement of three Directors of long-standing service; Jeff Williams, Keith Goodall, and Richard Francis. Simon Fleisher also left to pursue a career opportunity in Australia. We wish to thank all four Directors for their service to the Company and wish them the best with their future endeavours.

Jennifer Kerr and Jonathan Cameron were appointed to the Board in December 2020.

The Directors of Waipa Networks Limited at 31 March 2021 were Jonathan Kay (Chairman), Mike Marr (Deputy Chairman), Jonathan Cameron, Jennifer Kerr and Mark Stuart.

### Special Discounts

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

In the financial year ended 31 March 2021 the Company granted special discounts amounting to \$5,747,845 to Connected Consumers. Special discounts for the twenty-year period 1 April 2001 to 31 March 2020 amount to \$87,152,537.

### Performance Measures of Waipa Networks Limited

Under Section 44 of the Energy Companies Act 1992, the Company is required to report its performance against targets set out in the Statement of Corporate Intent for the year. The performance of the business for the year ended 31 March 2020 is as follows:

<b>Financial performance indicators</b>	<b>Target</b>	<b>Actual (2021)</b>	<b>Actual (2020)</b>
Profit before interest expenses and tax as a percentage of total assets	4.90%	4.92%	4.38%
Profit after tax as a percentage of equity	5.00%	20.68%	4.25%
Equity as a percentage of total assets	59.00%	80.43%	57.55%
<b>Efficiency performance measures:</b>			
Maintenance costs per electricity customer	\$235	\$249	\$212
Operational expenditure per electricity customer	\$115	\$96	\$105
<b>Energy delivery efficiency performance measures</b>			
Loss ratio	6.50%	4.60%	5.49%
<b>Network reliability performance measures</b>			
Faults per 100km lines (11kV)	13.5	9.5	13.1
SAIDI (average minutes per customer)	244	257	269
SAIFI (average interruptions per customer)	2.68	1.73	2.50

<b>Staff Safety</b>	<b>Target</b>	<b>Actual (2021)</b>	<b>Actual (2020)</b>
Lost Time Injury Frequency Rates (LTIFR)	0.00	14.01	10.14
Lost time work accidents per 100 employees	0.0	12.9	9.2
Percentage of hours lost per annum	0.00%	1.02%	0.57%
Total hours lost per annum	0	1,312	678

## **Acknowledgements**

This year has been a challenging year for the world, our country and the Waipa community. The Company, like most others, has had to adjust to a new way of working and continue to provide the community with a high standard of service throughout the Covid-19 pandemic.

The Company has continued to produce strong core financial results, in addition to the sale of their shareholding in Ultrafast Fibre Ltd, which was completed this financial year. The sale of the shareholding in Ultrafast Fibre Ltd, for a combined \$125.1 million, was fantastic news for the company, the trust, and our beneficiaries.

This year, we have continued to grow; with 1.6% growth in Connected Consumers. There has also been continued investment in our network this year, while still maintaining our position amongst the lowest lines' charges in the country.

The Company Board has changed a lot this financial year, due to the retirement of several longstanding Directors. This change offered the Trust the opportunity to consider the composition of the Board and we were in the fortunate position to appoint some incredibly talented Directors. The Trust is looking forward to seeing the new Board continue to work towards the vision of the Company.

The Trust would once again like to congratulate the Company Board and Staff on their achievements over the year.

On behalf of the Trustees, I would also like to thank Sarah for another year of dedication to the Secretary/Treasurer role. Thank you to my fellow trustees for the privilege of being their Chairman.

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



**CRAIG SANDERS, CHAIRMAN  
WAIPA NETWORKS TRUST**