



WAIPĀ NETWORKS TRUST

Chairpersons Report & Financial Statements for the year ended 31 March 2024



Directory as at 31 March 2024

Trustees

CHAIRPERSON	Mrs S J Matthews
DEPUTY CHAIRPERSON	Mr D A McLean
TRUSTEES	Mrs J M Bannon
	Mr R J Milner
	Mr M L Gower

Secretary/Treasurer

Mrs K Heeringa
PO Box 34
Te Awamutu

Bankers

Westpac
Alexandra Street
Te Awamutu

Solicitors

Henry Brandts-Giesen
Kensington Swan
Auckland

Accountants

gfa Chartered Accountants Ltd
242 Bank Street
Te Awamutu

Auditors

KPMG
PO Box 929
Alexandra Street
Hamilton

Chairperson's Report

To the Beneficiaries (Connected Consumers):

It is my privilege to report on the activities of the Waipā Networks Trust for the year ended 31 March 2024.

Waipā Networks Trust

The Trust holds on your behalf 7.2 million shares (100%) in Waipā Networks Limited.

Under this collective form of ownership, only the Trust can sell the shares. However, the advantage to our beneficiaries (the connected consumers of Waipā Networks Limited), is that the Company is directed and controlled to benefit you.

The Trust manages our beneficiaries interests through the Statement of Corporate Intent process (setting and monitoring Key Performance Indicators) and also through Director selection and performance monitoring.

Any surplus Trust funds can only be reinvested in approved investments, distributed to beneficiaries, or used for energy efficiency projects. Trust ownership of our network company ensures the economic benefits and potential 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, considering the Statement of 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 Waipā Networks Trust

The Trustees of Waipā Networks Trust at 31 March 2024 were Sarah Matthews (Chairperson), David McLean (Deputy Chairperson), Judy Bannon, Ray Milner and Marcus Gower.

The last triennial Election of Trustees took place in 2021. The next Election of Trustees is scheduled to take place in 2024.

Trust Performance 2023 - 24

Annual Plan 2023 - 2024

The Trust met all its objectives concerning accountability to its Beneficiaries and financial forecasts outlined in the Annual Plan for the 2023-2024 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 2024 based on the shareholders funds value in the Financial Statements of Waipā Networks Ltd was \$194,353,078.

The audited Financial Statements of Waipā Networks Trust for the year ended 31 March 2024 are available for your inspection on our website 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 has adopted guidelines on access for Beneficiaries to meetings and information, 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

As provided for in the Statement of Corporate Intent for the period 1 April 2023 to 31 March 2024, 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 considering circumstances, particularly future capital requirements.

No dividend payment will be made without the approval of the Trust (shareholders).

In the past, the Trust have not requested ongoing dividends to cover capital requirements, instead opting to retain excess monies within the Company. This has allowed the Company to utilise all surpluses to increase the value of the network and ultimately the Trust's shareholding in the Company. This strategy has been successful but has also resulted in a reduction of other investments held by the Trust, outside of the Company shareholding.

With investment gains realised by the Company in recent years, the Trust have decided that it is the right time to reinstate its investment fund up to \$5M to provide for a stable cash flow to offset Trust expenses. During the 2023/24, a one-off dividend of approximately \$3.28 million was paid from Waipā Networks Limited to Waipā Networks Trust.

Going forward, the trust intends to continue to maximise the investment returns and will request dividends only to fund any shortfall between investment returns, operational costs, and inflation proofing of the trust investment fund to ensure the trust's investment fund remains stable, in real terms.

Company Performance 2023/24

Directors of Waipā Networks Ltd

Jennifer Kerr and Jonathan Cameron retired by rotation and being eligible, both offered themselves for re-election. The Trustees re-appointed Jennifer and Jonathan to the Board.

The Directors of Waipā Networks Limited as at 31 March 2024 were Jonathan Kay (Chairperson), Mike Marr (Deputy Chairperson), 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 2024 the Company granted special discounts amounting to \$5,097,876 to Connected Consumers. Special discounts for the period between 1 April 2001 to 31 March 2024 amount to \$103,858,906.

Performance Measures of Waipā 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 2024 is as follows:

<u>Financial Performance</u>	<u>Target</u>	<u>Actual</u> <u>(2024)</u>	<u>Actual</u> <u>(2023)</u>
Return on total assets			
Profit before share of profit on sale of associate, finance costs and tax as a percentage of total assets	3.67%	5.93%	3.27%

Profit before share of profit on sale of associate, finance costs and tax as a percentage of total assets on investments and investment assets)	4.81%	5.50%	4.16%
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Return on equity (after discounts)

Profit after tax as a percentage of shareholder funds	3.42%	4.98%	2.65%
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Profit after tax as a percentage of shareholders funds on investments and investment assets)	4.99%	4.52%	3.86%
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Ratio of shareholders to total assets

Shareholders' funds comprise the total issued capital, the balance of undistributed profits and all revenue and capital reserves. Total Assets comprise all the recorded tangible and intangible assets of the Company at their current value	>55%	78.82%	77.23%
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EBITF

Earnings before interest expense, tax and financial adjustments for revaluation of investments	\$9.24m	\$11.62m	\$8.46m
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Distributions

Forecast dividends to be paid to shareholders	\$2.363m	\$2.363m	
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Forecast discounts to be paid based on forecast volumes	\$5.1m	\$5.1m	\$6.15m
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Network Performance

SAIDI (average minutes per customer)

Planned	126	61.7	86.1
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Unplanned	109	143.4	168.4
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SAIFI (average interruptions per customer)

Planned	0.48	0.42	1.15
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Unplanned	1.73	1.55	1.87
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People

Serious harm injuries	Nil	Nil	Nil
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Total Reportable Injury Frequency Rate (New measure introduced in FY24)	<5	13.0	-
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Customer, Community and Environment

	Measure	Target	2024
Sustainability: Community	Community projects implemented to help alleviate energy hardship and provide education on the efficient use of electricity.	Complete a minimum of 500 energy assessments.	501 assessments completed.
Sustainability: Environmental	Environmental projects to raise our environmental awareness and actively reduce our environmental footprint.	An environmental audit and improvement plan completed.	Desktop emissions audit completed.
Sustainability: Cultural	We are embracing Te Ao Māori and building relationship with mana whenua.	Iwi engagement plan developed.	Iwi Engagement framework drafted.
		<u>Target</u>	<u>Actual</u> <u>(2024)</u>
	Customer satisfaction	>62%	63%
			<u>Actual</u> <u>(2023)</u>
			58%

Acknowledgements

Kia ora koutou katoa,

In relation to the key functions of the Trust, I am once again in a fortunate position to report back to our Beneficiaries with pleasing results. My fellow Trustees and I have a prudential duty to act as a diligent shareholder, and the responsibility to monitor the performance of the Company and its Directors.

Our relationship with the Company Board and leadership is underpinned by trust and integrity and our relationship remains strong. The strong relationship with the Company creates opportunities to represent the interests of our beneficiaries and allows for a regular flow of quality information to the Trust.

To ensure an effective board, your Trustees take their responsibilities for Director appointment seriously. This year, we worked with the Board to assess its capabilities and began the recruitment process for a new Director to enhance the Board's engineering and asset management skillset. At the end of this financial year, the Trust was underway with the recruitment process to fill this position.

Your Trustees also recognise the escalating opportunities and challenges that are impacting the sector and Waipā specifically, bringing several strategic issues to the surface. Network reliability is a key priority of the Trust with impacts of climate change challenging traditional network management. Electrification of traditionally fossil-fuelled technology and growth of the district are adding to the future demand for electricity. The Company is undertaking significant network investment, including the Cambridge Substation Project, to account for the increased demand and ensure reliability of the network.

The Statement of Corporate Intent process allows the Company and the Trust to formally agree on intentions and priorities of the Company for the year. The Trust represented Beneficiaries interests throughout this process, including ensuring growth and inflation adjustments were added into the discount calculation, to maximise discounts to our Beneficiaries.

The performance of the organisation and achievement of the 2023/24 Key Performance Indicators produced positive results overall and I would like to extend my gratitude to both the Company Board and Staff for their achievements this year. We are incredibly fortunate to have such talented and passionate people on our team.

I also wish to express my sincere gratitude to our Trust Manager, Kayla Heeringa, for her commitment and exceptional effort throughout the year.

Lastly, I am grateful to my fellow Trustees and our Beneficiaries for the honor of serving as your Chairperson. It is immensely fulfilling to generate positive outcomes for you all.

Ngā mihi nui,



SARAH MATTHEWS
CHAIRPERSON
WAIPĀ NETWORKS TRUST