



Chairpersons Report & Financial Statements for the year ended 31 March 2023



Directory as at 31 March 2023

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
	Mr C T Sanders

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 2023.

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 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 2023 were Sarah Matthews (Chairperson), David McLean (Deputy Chairperson), Judy Bannon, Ray Milner, Marcus Gower and Craig Sanders.

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

Trust Performance 2022 - 23

Annual Plan 2022 - 2023

The Trust met all its objectives concerning accountability to its Beneficiaries and financial forecasts outlined in the Annual Plan for the 2022-2023 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 2023 based on the shareholders funds value in the Financial Statements of Waipā Networks Ltd was \$187,034,128.

The audited Financial Statements of Waipā Networks Trust for the year ended 31 March 2023 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

For the 2022/23 financial year, the Trust's operation costs were funded from investment earnings and reserves, with no dividend being sought from its wholly owned company Waipā Networks Ltd.

Company Performance 2022/23

Directors of Waipā Networks Ltd

Mike Marr and Mark Stuart retired by rotation and being eligible, both offered themselves for re-election. The Trustees re-appointed Mike and Mark to the Board.

The Directors of Waipā Networks Limited as at 31 March 2023 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 2023 the Company granted special discounts amounting to \$6,146,738 to Connected Consumers. Special discounts for the twenty two year period 1 April 2001 to 31 March 2023 amount to \$98,761,030.

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 2023 is as follows:

Financial Performance	Target	Actual (2023)	Actual (2022)
Profit before interest expenses and tax as a percentage of total assets	3.00%	3.27%	3.64%
Profit after tax as a percentage of equity	2.60%	2.65%	3.92%
Discounts Paid to Customers (\$m)	5.3	6.15	5.46
Ratio of equity to total assets	55%	77.23%	78.99%
Network Performance			
SAIDI (average minutes per customer)			340
Planned	126.2	86.1	
Unplanned	109.3	168.4	
SAIFI (average interruptions per customer)			2.38
Planned	0.48	1.15	
Unplanned	1.73	1.87	
People			
Serious harm injuries	0	0	0
Reporting of Health & Safety events	10%	21%	116

Customer, Community and Environment

As we are a consumer owned entity we have included new measures that focus on how we connect and provide for stakeholders and how we monitor our overall impact on the environment.

Project	Status	Commentary	Next Phase
Network resilience (GXP)	Site secured. Concept design completed.	Notice of requirement lodged. Contract for construction signed. Commissioning planned for December 2024.	Detailed design commences FY25.
Deliver a community energy project	Deliver Ecobulb campaign.	In partnership with Ecobulb, we distributed 65,000 LED light bulbs across our communities. The light bulbs were directly distributed via schools and charities followed by events in Cambridge and Te Awamutu.	N/A
Climate impact	Deliver a dashboard of sustainable targets.	Our sustainability programme is currently in development. We have defined three sustainability themes: Community, Environment and Culture. During FY24 a programme of initiatives will be identified across these themes. Key references such as the KPMG Sustainability Maturity Matrix, the UN Sustainability Development Goals and other New Zealand Businesses with advanced sustainability programmes are considered when identifying and developing our themes and initiatives.	N/A

Customer Satisfaction

Target	Actual (2023)	Actual (2022)
62%	58%	55%

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 I am pleased to report that it remains strong. The strong relationship with the Company creates opportunities for further engagement and allows for a regular flow of quality information to the Trust. This year we added an additional joint meeting to discuss strategic matters, prior to the Statement of Corporate Intent process, which allowed us to represent our Beneficiaries interests early in the process. Our strong relationship has also allowed us to collaborate on energy efficiency projects, such as the Ecobulbs project, which was a fantastic success this year, delivering 65,000 energy-saving light bulbs to our Beneficiaries.

To ensure an effective board, your Trustees need to balance Director's skills, knowledge, experience, and perspectives. This year the Trust are pleased announce the re-appointment of Mike Marr and Mark Stuart to the Board. The Trust will be looking to appoint an additional Director in the 2023/24 year, to fill a vacant position and the Trustees have been doing some initial preparation work to consider the skills and experience required to ensure the continuation of a great board.

The Directors have initiated involvement in the Future Directors programme through the Institute of Directors, which provides people with governance potential, ambition and the opportunity to participate on a board. This initiative provides boards with exposure to diverse talent, ideas, and experiences. Ashleigh Turner was appointed to this position, just outside of the financial year we are reporting on. Congratulations Ashleigh, the Trust are looking forward to having you on the team.

The Statement of Corporate Intent process ensures our Beneficiaries' interests are considered and enhanced. As a Trust, we are proud to have represented Beneficiaries interests throughout this process, including adding the requirement for growth and inflation adjustments into the discount calculation, to ensure the discounts to our Beneficiaries are maximised.

The performance of the organisation and achievement of the 2022/23 Key Performance Indicators exceeded our expectations overall and we recognise how significant this achievement was during a period where the costs of building and delivering critical infrastructure were increasing rapidly. Unfortunately, reliability measures were not met due to the impact of extreme weather events on the network.

Your Trustees recognise the escalating opportunities and challenges that are impacting the sector and Waipā specifically, bringing several strategic issues to the surface. Recent weather events have highlighted the impacts of climate change and the importance of network reliability to our Beneficiaries. Electrification of traditionally fossil-fuelled technology, including electric vehicles, is adding to the future demand for electricity (and further highlighting the importance of network reliability). Growth of the district is also contributing to increased demand for electricity in the Waipā. The Company is undertaking significant work on the network to account for the increased demand and to ensure reliability of the network.

I would once again like to congratulate the Company Board and Staff on their achievements this year, under challenging circumstances. We are incredibly fortunate to have such talented and passionate people as part of the team.

On behalf of the Trustees, I would also like to thank our Secretary, Kayla Heeringa, for her continued hard work and dedication throughout the year. Special thanks also must go to Nicky White who kindly stood in for Kayla while she was on maternity leave.

Thank you to my fellow Trustees and our Beneficiaries for the privilege of being your Chairperson. I look forward to continuing to work positively for you all.

Ngā mihi nui,



SARAH MATTHEWS
CHAIRPERSON
WAIPĀ NETWORKS TRUST