

## Directory as at 31 March 2013

### Trustees

CHAIRMAN	Mr R C Johnstone
DEPUTY CHAIRMAN	Mr C T Sanders
TRUSTEES	Mrs J M Bannon
	Mr A J Bateman
	Mr C J Rist, JP
	Mrs B J Taranaki, JP

### Secretary/Treasurer

Mrs S J Baldock  
502 Pakura Street  
Te Awamutu

### Bankers

Westpac  
Alexandra Street  
Te Awamutu

### Solicitors

Kevin Jaffe  
Simpson Grierson  
Auckland

### Accountants

Peter Granville  
180 Grey Street  
Hamilton East

### Auditors

Jon Hurst  
Jonathon Hurst & Associates  
Chartered Accountants  
88 Teasdale Street  
Te Awamutu

## **Chairman's Report**

To the Beneficiaries (Connected Consumers):

It is my privilege to present this nineteenth report on the activities of the Waipa Networks Trust for the year ended 31 March 2013.

### **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 profits can only be distributed to Connected Consumers as a dividend 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.

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

Taking that 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 2013 were Messrs Richard Johnstone (Chairman), Craig Sanders (Deputy Chairman), Andrew Bateman, Carl Rist (JP), Mrs J M Bannon and Mrs Barbara Taranaki (JP).

The triennial Election of Trustees took place in 2012. The next Election of Trustees is scheduled to take place in 2015.

## Trust Performance 2012 - 13

### Annual Plan 2012 - 2013

The Trust met all its objectives concerning accountability to its Beneficiaries and financial forecasts outlined in the Annual Plan for the 2012-2013 year.

### Financial Review of the Trust (excluding the value of the shareholding in Waipa Networks Ltd)

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

The movement in cash flows over the year has been as follows:

Balance 1 April 2012	\$3,469,828
Plus:	
Interest Earned (net)	147,985
Less:	
Payments to suppliers and employees	199,899
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Balance 31 March 2013	\$3,417,914
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The book value of the 7.2 million shares held by the Trustees at 31 March 2012 based on the shareholders funds value in the Financial Statements of Waipa Networks Ltd was 2013 \$93,224,496 (2012 \$89,219,653)

The audited Financial Statements of Waipa Networks Trust for the year ended 31 March 2013 are available for your inspection at the office of the Company (240 Harrison Drive, Te Awamutu), and at public libraries in the district.

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

The Trust in the 2006/07 year formally approved the adoption of the above mentioned Guidelines, copies of which are available 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.

This policy allows the Company to use any excess funds for capital and lines maintenance works in order to give consumers a safe and secure supply of electricity.

## **Company Performance 2012/13**

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

Mr Richard Kadziolka and Mr Richard Francis were required to retire by rotation at the 2012 Annual General Meeting of the Company. The Trustees re-appointed them for a further term.

The Directors of Waipa Networks Limited at 31 March 2013 were Ms Diane Reed (Chairman), Messrs Richard Kadziolka (Deputy Chairman), Richard Francis, Keith Goodall, Bob Western, and Jeff Williams.

Jeff Williams has taken a sabbatical from his directorship for twelve months and will return in December 2013.

## **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 2013 the Company granted special discounts amounting to \$4,706,100 to Connected Consumers. Special discounts for the eleven year period 1 April 2001 to 31 March 2013 amount to \$50,006,615 - an average of \$2,080 per Network Connection Point.

## 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 2013 is as follows:

<b>Financial performance indicators</b>	<b>Target</b>	<b>Actual (2013)</b>	<b>2012</b>
Profit before interest expenses and tax as a percentage of total assets	3.70%	4.69%	4.18%
Profit after tax as a percentage of equity	3.50%	4.39%	3.87%
Equity as a percentage of total assets	70.00%	79.15%	78.64%
<b>Efficiency performance measures:</b>			
Maintenance costs per electricity customer	\$160	\$120	\$121
Operational expenditure per electricity customer	\$75	\$82	\$75
<b>Energy delivery efficiency performance measures</b>			
Loss ratio	6.50%	6.36%	6.37%
Capacity utilisation	25.00%	25.58%	26.44%
<b>Energy reliability performance measures</b>			
Faults per 100km lines (11kV)	8.3	6.6	8.7
SAIDI (minutes per customer)	172	153	242
SAIFI (interruptions per customer)	2.46	1.50	2.54
<b>Staff Safety</b>			
Lost time work accidents per 100 employees	0.0	1.9	23.8
Total hours lost per annum	0	80	654
Percentage of hours lost per annum	0.00%	0.09%	0.70%

## **Waikato Networks Ltd (Formally Ultrafast Fibre Limited)**

During the year the Company invested a further \$2M in Waikato Networks Ltd (WNL) adding to the \$2.5M invested last year.

The telecommunications industry is regulated by the Commerce Commission and during the year it announced proposed changes to the costs of copper services for the future with the potential to influence the uptake of fibre. The Government responded by bringing forward a planned review of the industry and its regulation. This has increased the level of uncertainty and risk with this investment.

Roll out of the network is on time and on budget. Uptake is behind expectations as Retail Service Providers wait for sufficient premises to be passed to make their investment worthwhile.

The Company remains committed to the joint venture with WEL in WNL and will monitor uptake of the new services and its investment through participation on the WNL board.

*Waipa Networks Ltd. 2013 Annual Report.*

## **Second Supply Line to Te Awamutu**

The Company spend \$1M on design, investigations and negotiations developing the final route for the new 100kV line between Te Awamutu and Hangatiki.

Negotiations with affected property owners have seen us realign the proposed route to run parallel with the North Island Main Trunk railway line. This has brought us to a point where we have to consider how to navigate either through or around Otorohanga.

The original route had tried to avoid Otorohanga and as a result had not paralleled the rail corridor once it left Te Awamutu.

A public meeting was held in Otorohanga to discuss this and determine if the community had a preferred option. The meeting expressed a clear preference for using the rail corridor though the town, with a second choice of avoiding the town altogether.

The need to move the line and hence engage with the Otorohanga community has delayed this aspect of the project by some four months however the Company believes it can still meet its original time table of commissioning the new line before the 2016 planned outage of the Te Awamutu-Karapiro line.

*Waipa Networks Ltd. 2013 Annual Report.*

## **Acknowledgements**

The Trust has continued to update its secretarial/administrative activities. We believe that accurate information for our beneficiaries is crucial. We are investigating the setting up of our own website and possibly Facebook.

2012 marked the end of an era – the retirement of Keith Storey. The Founding Trustees were appointed in 1993 and at the first election in 1994 Keith was elected. In 2000 he was elected Chairman and continued in that position until his retirement last year. We must publicly acknowledge the dedicated service that Keith has given to the Trust. Ashley Reid who was elected in 2003, was unsuccessful in the last election. We thank him for his contribution.

Another era ends in 2013. Diane Reed retires as Chair of our operating company Waipa Networks Ltd. Diane was appointed as a founding Director in 1993, and after philosophical differences of opinion between Trustees and Board were clarified, she was elected Chair in 1996. The rapport that our two Chairmen – Keith and Diane, developed, has to a large degree, been responsible for the very strong and united relationship between the Trust and Board.

The Trust acknowledges the contribution of the Board and Staff for their performance during the last year. The continuing economic difficulties have not made this easy. Nevertheless, good management and policies have minimized the impact, and the result has been commendable. They have few peers within the industry.

A special thank you to Sarah, efficient and diligent. Also to Craig and Kelly and Bryant for the use of their magnificent amenities. Another thank you to my fellow trustees for the privilege of being their Chairman. The team is working positively on behalf of you, our beneficiaries.

**RICHARD JOHNSTONE, CHAIRMAN  
WAIPA NETWORKS TRUST**