

This Newsletter contains extracts of the 2018 Chairman's Report and the 2018/19 Annual Plan. A copy of the full documents can be obtained from our website www.waipanetworkstrust.co.nz or by contacting the Secretary on (021) 217 0655.

Waipa Networks Trust

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

Trustees of the Waipa Networks Trust

The Trustees of Waipa Networks Trust at 31 March 2018 were Craig Sanders (Chairman), Andrew Bateman (Deputy Chairman), Judy Bannon, Ashley Reid, Joe Scaramuzza, and Barbara Taranaki (QSM, JP).

The triennial Election of Trustees took place in 2015. The next Election of Trustees is scheduled to take place in 2018.

Annual Plan 2017/2018

The Trust met all its objectives concerning accountability to its Beneficiaries and financial forecasts outlined in the Annual Plan for the 2017/18 year.

Financial Review of the Trust

The book value of the 7.2 million shares held by the Trustees at 31 March 2018 based on the shareholders funds value in the Financial Statements of Waipa Networks Ltd was \$127,751,340 (2017 \$122,360,743).

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

	2017-2018 Actuals \$	2018-2019 Estimates \$
Cash Flows from Operating Activities		
Interest Received	150,775	183,350
General Operating expenditure	(191,265)	(182,211)
Trustee Election	(7,098)	(53,158)
Director Recruitment	(6,232)	0
	<u>(53,820)</u>	<u>(52,019)</u>
Cash Flows from Investing Activities		
Purchase of Property, Plant & Equipment	(1,012)	0
Loan to Waipa Networks Ltd	(3,092,489)	50,000
	<u>(3,093,501)</u>	<u>50,000</u>
Cash & cash equivalents 1 April	3,307,073	159,752
Net Increase / (Decrease) in Cash Held	(3,147,321)	(2,019)
Cash & cash equivalents 31 March	<u>159,752</u>	<u>157,733</u>

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.

Objectives for the year

- 1) To see that Waipa Networks Limited adheres to its intentions and objectives as outlined in the Statement of Corporate Intent.
- 2) To keep Beneficiaries well informed on the activities of the Trust.

COMPANY PERFORMANCE 2017/18

Directors of Waipa Networks Ltd

Jeff Williams and Bob Western were required to retire by rotation at the 2017 Annual General Meeting of the Company. The Trustees re-appointed Jeff Williams for a further term and Bob Western retired.

The Trustees appointed two new Directors; Jonathan Kay and Simon Fleisher in May and June 2017 respectively.

The previous Chair, Diane Reed resigned from the

Board effective August 2017.

The Directors of Waipa Networks Limited at 31 March 2018 were Richard Francis (Chairman), Jeff Williams (Deputy Chairman), Keith Goodall, Jonathan Kay, and Simon Fleisher.

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 2018 the Company granted special discounts amounting to \$5,025,917 to Connected Consumers. Special discounts for the seventeen year period 1 April 2001 to 31 March 2018 amount to \$71,545,491.

Waikato Networks Ltd

The Company is a 15% shareholder in Waikato Networks Limited (WNL) which completed the construction of a fibre optic network in the central North Island in February 2016.

During this financial year, the Company committed to its share of funding a further fibre optic network expansion (UFB2). This aims to add another 26,770 premises throughout the central North Island once completed.

The business continues to build connection numbers, improve cashflow and, ultimately increase profitability. To the end of the current financial year, UFF exceeded budgeted EBITDA by \$1.2M, bearing in mind that cashflow is focused on investing in network build and garnering new connections from residential households.

UFF now has over 96,000 connected customers or about 48.0% of premises that have fibre optic services available, an increase of more than 23,000 or 31.0% for the year.

(Extract from Waipa Networks Ltd. 2018 Annual Report).

Performance Measures of Waipa Networks Ltd

The performance of the business for the year ended 31 March 2018 is as follows:

Financial performance indicators	Target	Actual
Profit before interest expense and tax as a percentage of total assets	4.70%	5.01%
Profit after tax as a percentage of equity	4.70%	4.31%
Equity as a percentage of total assets	55.00%	60.07%
Efficiency performance measures		
Maintenance costs per electricity customer	\$170	\$173
Operational expenditure per electricity customer	\$90	\$85
Energy delivery efficiency performance measures		
Loss ratio	6.50%	5.09%
Network reliability performance measures		
Faults per 100km lines (11kV)	10.8	11.0
SAIDI (minutes per customer)	214	217
SAIFI (interruptions per customer)	2.28	1.81
Staff Safety		
Lost time work accidents per 100 employees*	0.0	8.7
Hours lost compared to hours worked per annum	0.00%	0.47%
Total hours lost per annum	0	504

Acknowledgements

The Company financial performance continues to be strong with good customer growth and network development. We are extremely pleased to have maintained our position amongst the lowest lines charges in the country. The Trust would once again like to recognise the ongoing effort of the

Company Board and Staff.

Other significant achievements of the Company this year included the increase of their investment in Waikato Networks Ltd for its share in the fibre optic network expansion (UFB2). Waikato Networks Ltd continues to build connection numbers, improve cashflow, and increase profitability.

During the year we had some changes in Directors of the Company with long-serving Directors Diane Reed and Bob Western departing their Directorships and Jonathan Kay and Simon Fleisher being appointed as new Directors. The Trustees wish to thank Diane Reed and Bob Western for their service and dedication over numerous years.

Rapid advancements in technology, such as, Solar Panels, battery storage and electric vehicles present great opportunities for the Company, Trust, and our Beneficiaries. We look forward to an exciting future embracing these opportunities.

The Trust has continued to use our website www.waipanetworkstrust.co.nz to improve the availability of information.

On behalf of the Trustees, I would 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



PO Box 34
TE AWAMUTU

Notice of Public Annual Meeting of Beneficiaries

Availability of the 2018 Chairman's Annual Report, Financial Statements, 2018-19 Annual Plan, and Waipa Networks Ltd Statement of Corporate Intent.

I hereby give notice that on Friday the 31st August 2018, commencing at 10.00am, a Public Annual Meeting of Beneficiaries (Connected Consumers) will be held at The Homestead, Lauriston Park, 91 Coleridge Street, Cambridge.

At the meeting the Trustees will report on:

- The operation of Waipa Networks Trust for the year ended 31 March 2018.
- The Financial Statements of Waipa Networks Trust for the year ended 31 March 2018.
- The performance of Waipa Networks Limited for the year ended 31 March 2018.
- The compliance of Waipa Networks Limited with its Statement of Corporate Intent for the year ended 31 March 2018.
- The Annual Plan 2018/19 of Waipa Networks Trust.

At the meeting the Beneficiaries will be given the opportunity to:

- Appoint the Auditor for Waipa Networks Trust for the 2019 financial year.
- Speak on all matters being considered at the Annual Meeting.

Please note that the above named documents are available for public inspection on the Trust website or at the offices of Waipa Networks Limited at **240 Harrison Drive, Te Awamutu**. Alternatively, they can be obtained by contacting the Secretary on 021 217 0655.

SJ Davies
Secretary/Treasurer