

Directory as at 31 March 2019

Trustees

CHAIRMAN	Mr C T Sanders
DEPUTY CHAIRMAN	Mr A J Bateman
TRUSTEES	Mrs J M Bannon
	Mrs B J Taranaki, QSM JP
	Mr R A Reid
	Mr D A McLean

Secretary/Treasurer

Mrs S J Davies
PO Box 34
Te Awamutu

Bankers

Westpac
Alexandra Street
Te Awamutu

Solicitors

Henry Brandts-Giesen
KensingtonSwan
Auckland

Accountants

gfa Chartered Accountants Ltd
242 Bank Street
Te Awamutu

Auditors

FINNZ Chartered Accountants
80 Market Street
Te Awamutu

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 2019.

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 2019 were Craig Sanders (Chairman), Andrew Bateman (Deputy Chairman), Judy Bannon, Barbara Taranaki (QSM JP), Ashley Reid, and David McLean.

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

Trust Performance 2018 - 19

Annual Plan 2018 - 2019

The Trust met all its objectives concerning accountability to its Beneficiaries and financial forecasts outlined in the Annual Plan for the 2018-2019 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:

Cash & cash equivalents 1 April 2018	\$159,752
Plus:	
Interest received	184,751
Less:	
Payments to suppliers and employees	(220,442)
Loan to Waipa Networks Ltd	(32,931)

Balance 31 March 2019	\$91,130
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The book value of the 7.2 million shares held by the Trustees at 31 March 2019 based on the shareholders funds value in the Financial Statements of Waipa Networks Ltd was \$132,997,037 (2018 \$127,751,340).

The audited Financial Statements of Waipa Networks Trust for the year ended 31 March 2019 are available for your inspection on the Trust 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 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 2018/19

Directors of Waipa Networks Ltd

Richard Francis and Jonathan Kay were required to retire by rotation at the 2018 Annual General Meeting of the Company. The Trustees re-appointed both Directors for a further term.

The Directors of Waipa Networks Limited at 31 March 2019 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 2019 the Company granted special discounts amounting to \$4,758,664 to Connected Consumers. Special discounts for the eighteen year period 1 April 2001 to 31 March 2019 amount to \$76,304,155.

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 2019 is as follows:

Financial performance indicators	Target	Actual (2019)	Actual (2018)
Profit before interest expenses and tax as a percentage of total assets	4.60%	4.67%	5.01%
Profit after tax as a percentage of equity	4.40%	4.02%	4.31%
Equity as a percentage of total assets	55.00%	59.46%	60.07%
Efficiency performance measures:			
Maintenance costs per electricity customer	\$180	\$209	\$173
Operational expenditure per electricity customer	\$100	\$104	\$85
Energy delivery efficiency performance measures			
Loss ratio	6.50%	5.48%	5.09%
Network reliability performance measures			
Faults per 100km lines (11kV)	10.8	10.8	11.0
SAIDI (average minutes per customer)	213	168	217
SAIFI (average interruptions per customer)	2.27	1.37	1.81
Staff Safety			
Lost time work accidents per 100 employees	0.0	8.1	8.7
Total hours lost per annum	0	748	504
Percentage of hours lost per annum	0.00%	0.68%	0.47%

Waikato Networks Ltd

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 \$550k, bearing in mind that cashflow is focused on investing in network build and garnering new connections from residential households.

UFF now has over 119,000 active customers or about 54.6% of premises that have fibre optic services available, an increase of more than 23,000 or 24% for the year.

The plan for the business anticipates a further year of investment by the shareholders albeit at lower levels than the initial build years.

Waipa Networks Ltd. 2019 Annual Report.

Acknowledgements

I am very fortunate to be able to report back to our Beneficiaries each year with strong financial results and positive achievements against the Company's performance measures.

We are operating in a high growth district and have once again had strong customer growth, which presents us with both opportunities and challenges. This year, we have continued to develop the network while maintaining our position amongst the lowest lines charges in the country.

Technology continues to be a key focus of the company with increasing opportunities to invest in and promote technology such as smart networks, electric vehicles, solar photovoltaics and battery storage.

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**