

## Directory as at 31 March 2020

### Trustees

CHAIRMAN	Mr C T Sanders
DEPUTY CHAIRMAN	Mr A J Bateman
TRUSTEES	Mrs J M Bannon
	Mrs B J Taranaki, QSM
	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

Audit New Zealand  
Private Box 256  
Alexandra Street  
Hamilton

## 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 2020.

### 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 2020 were Craig Sanders (Chairman), Andrew Bateman (Deputy Chairman), Judy Bannon, Barbara Taranaki (QSM), 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 2019 - 20

### Annual Plan 2019 - 2020

The Trust met all its objectives concerning accountability to its Beneficiaries and financial forecasts outlined in the Annual Plan for the 2019-2020 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 2019	\$91,130
Plus:	
Interest received	172,501
Less:	
Payments to suppliers and employees	(211,998)
Loan to Waipa Networks Ltd	(22,501)
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Balance 31 March 2020	\$29,132
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The book value of the 7.2 million shares held by the Trustees at 31 March 2020 based on the shareholders funds value in the Financial Statements of Waipa Networks Ltd was \$138,772,945 (2019 \$132,997,037).

The unaudited financial statements of Waipa Networks Trust for the year ended 31 March 2020 are available for your inspection on the Trust website [www.waipanetworkstrust.co.nz](http://www.waipanetworkstrust.co.nz) and at the office of the Company (240 Harrison Drive, Te Awamutu).

The audited financial statements have been delayed due to Covid-19 and a change in auditors, while the financial statements of the group (trust and company) have not been audited, the Company financial statements have been.

## **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 2019/20**

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

Keith Goodall retired by rotation and being eligible, offered himself for re-election. The Trustees re-appointed Keith Goodall to the Board.

Mike Marr and Mark Stuart were appointed to the Board effective from 1 November 2019.

The Directors of Waipa Networks Limited at 31 March 2020 were Richard Francis (Chairman), Jeff Williams (Deputy Chairman), Keith Goodall, Jonathan Kay, Simon Fleisher, Mike Marr 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 2020 the Company granted special discounts amounting to \$5,100,537 to Connected Consumers. Special discounts for the nineteen-year period 1 April 2001 to 31 March 2020 amount to \$81,404,692.

## 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 2020 is as follows:

<b>Financial performance indicators</b>	<b>Target</b>	<b>Actual (2020)</b>	<b>Actual (2019)</b>
Profit before interest expenses and tax as a percentage of total assets	5.60%	4.38%	4.67%
Profit after tax as a percentage of equity	5.60%	4.25%	4.02%
Equity as a percentage of total assets	55.00%	57.55%	59.46%
<b>Efficiency performance measures:</b>			
Maintenance costs per electricity customer	\$210	\$212	\$209
Operational expenditure per electricity customer	\$100	\$105	\$104
<b>Energy delivery efficiency performance measures</b>			
Loss ratio	6.50%	5.49%	5.48%
<b>Network reliability performance measures</b>			
Faults per 100km lines (11kV)	10.8	13.1	10.8
SAIDI (average minutes per customer)	237	269	168
SAIFI (average interruptions per customer)	2.36	2.50	1.37
<b>Staff Safety</b>			
Lost Time Injury Frequency Rates (LTIFR)	0.00	10.14	9.42
Lost time work accidents per 100 employees	0.0	9.2	8.1
Percentage of hours lost per annum	0.00%	0.57%	0.68%
Total hours lost per annum	0	678	748

## **UltraFast Fibre Holdings Limited**

UltraFast Fibre Holdings Limited (formerly Waikato Networks Ltd) continued to build connection numbers, improve cashflow and, ultimately increase profitability. To the end of the current financial year, UFF exceeded budgeted EBITDA by \$6.5M.

UFF now has over 144,000 active customers or about 61.1% of premises that have fibre optic services available, an increase of more than 25,000 or 21% for the year.

Earlier in the year, our majority partner in Ultra Fast Fibre undertook a strategic review of its investment. The outcome of this process indicated that considerable value could be realised through a sale process at this time. It was jointly agreed to offer the whole company for sale to the market.

At the end of the financial year, negotiations with a leading bidder were underway and have since been completed. The value for Waipa Networks 15% share is more than \$120M, should the sale successfully pass the required regulatory approvals. The financial transaction is not anticipated until the fourth quarter of 2020.

Waipa Networks Ltd. *2020 Annual Report.*

## **Acknowledgements**

I am in the fortunate position, once again, to be able to report back to our Beneficiaries with strong financial results and the additional fantastic news this year regarding the upcoming sale of Ultrafast Fibre Holdings Ltd (UFF) (subject to required regulatory approvals).

Although not part of this reporting year, the proposed sale of UFF will yield a positive return for the Company and puts us in an even stronger financial position, which is fantastic news for the company, the trust, and our beneficiaries.

The Covid-19 pandemic has caused global social and economic disruption including the largest economic recession since the great depression. We would like to acknowledge the lives that have been lost, along with the sacrifice that all New Zealanders have made to ensure we have the best chance to remain safe and well, which also allows us to begin the long road to economic recovery. Whilst it is challenging to predict the potential future effects, we are in a fortunate position and continue to remain positive about the outlook of the company.

This year, we have continued to grow and improve our network while maintaining our position amongst the lowest lines charges in the country.

The Trust has appointed two new Directors this year with Mike Marr and Mark Stuart, along with the re-appointment of Keith Goodall. The Trust is truly fortunate to have such a talented Board representing the Company.

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*

**CRAIG SANDERS, CHAIRMAN  
WAIPA NETWORKS TRUST**