

The background image shows a utility worker in an orange safety vest and white hard hat working on a power line tower. A large crane arm is positioned to the left, and several other workers are visible on the tower. The sky is overcast with grey clouds. The title text is overlaid on a white rectangular box in the upper right corner.

**Statement of Corporate Intent
2020/21**



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This statement of Corporate Intent (SCI) is submitted by the Board of Directors of Waipa Networks Limited, in accordance with section 39 of the Energy Companies Act 1992 (the Act), it sets out the Boards' overall intentions and objectives for Waipa Networks Limited for the year coming 1 April 2020 and the following two financial years.

WAIPA NETWORKS

Trust



WAIPA NETWORKS



OUR PURPOSE

***Our purpose,
is to actively deliver
better energy
outcomes for our
community and
businesses***





OUR MISSION

***To improve the lives of our
connected customers
through existing and
emerging energy
solutions***





STRATEGIC OBJECTIVES

Purpose

Our role is to build, construct, operate and maintain an electricity distribution network in a safe, reliable condition.

We form a part of the critical chain within the electricity supply industry that transmits and distributes electricity. This is an essential service and Waipa Networks is a utility as defined in the CDEM Act, 2002.

Maintaining a reliable network is instrumental to enabling our customers' lives and lifestyles through the delivery of electricity. We recognise that that delivery has now become a two-way service with the advent of cost-effective solar power.

Managing the network exposes our staff to high risks. The safety of the people who interact with the network is also of paramount priority to us.

We want the best for people, and we want the best for our community. We want their businesses to thrive, their lives to be comfortable and their families to do better.

We have a long and proud history of managing the electricity network in the Waipa region, extending from the formation of the first power board in the country in Cambridge. We are very aware of the responsibility we hold to successfully manage Waipa Networks for our owners, who are the connected consumers, through their representatives, the Waipa Networks Trust.

The change in affordability and efficiency of technologies such as solar panels, electric vehicles and battery systems has heralded the advent of true distributed generation as was foretold by some industry advocates at the turn of the century. The growth in uptake of solar installations and conversion to electric vehicle models by the auto industry is forcing new thinking across the entire electricity industry.

This underpins a strategic direction targeted at establishing true energy communities with our connected customers and exploring the possibilities afforded by the changing technology landscape in our industry.

Our purpose, our aspiration is to actively deliver better energy outcomes for our community and businesses.

Objectives

- Deliver power safely all day every day
- Facilitating energy use not just a connection
- Building a sustainable business by establishing energy communities in the Waipa region
- Extend the availability of existing and new energy products to the broader community.



OUR FOCUS

Reliability

Efficiency

Safety

**Energy
Future**



OUR BELIEFS



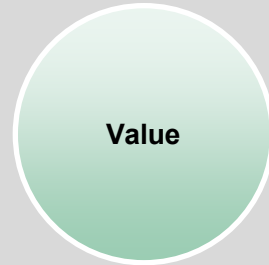
Everyone home safe every day



Recognition and acknowledgement of our people and increasing employee potential through learning



Building and maintaining community network assets and wealth



Our relationship with our shareholders



Life improvement through energy and network related business

OUR STRATEGIC INTENT

***Effective and
efficient core
business***

+

***Growing our
Company***





COMPANY OVERVIEW

Ownership and Governance

Waipa Networks is wholly owned by Waipa Networks Trust (WNT) on behalf of Waipa Networks' electricity consumers. The Waipa Networks Ltd Board of Directors are appointed by the WNT.

Electricity Distribution Business

Electricity distribution businesses (EDB's) are an integral part of New Zealand's electrical infrastructure, forming the physical link between the transmission network and electricity consumers.

In New Zealand, the majority of electricity is generated in large power stations and transported through the National Grid, operated by Transpower, to Grid Exit Points (GXP's). At GXPs Transpower's infrastructure interconnects with that of the local electricity distribution business (EDB), and electricity is then distributed to end users.



In the future, the traditional electricity supply model will be enhanced as technology enables customers to have greater choice and flexibility by accessing electricity from the National Grid, as well as from local sources including distributed generation (for example, solar) and battery storage (both local and regional).

A more fluid, multi-dimensional landscape is envisaged where by consumers are able to generate and use their own electricity, sell any excess to retailers or wholesalers, and continue to use the national grid supply as required.

Currently when taking a supply of electricity, customers deal with electricity retailers like Trustpower, Contact Energy, and Meridian Energy. The bill that customers receive includes the cost of the energy as well as a contribution to the cost of maintaining Waipa Networks and the National Grid.

The Waipa Networks component of the typical consumers' bill is around 27%.

Waipa Networks is in the business of providing a safe, reliable and cost-effective supply of electricity to its customers across the Waipa area from the townships of Cambridge and Te Awamutu to the coastal town of Kawhia and the surrounding farm land. The Company achieves this through the provision, operation and long-term management of its electricity distribution infrastructure, including overhead lines and underground cables, transformers and substations.

Waipa Networks currently supply electricity to over 27,000 consumers, which make Waipa the 16th largest electricity distributor in New Zealand.

Ultra-Fast Fibre Holdings Limited (formerly Waikato Networks Limited)

The Company consulted with the Trust prior to becoming a 15% shareholder in Ultra-Fast Fibre Holdings Limited (UFFH).

In December 2019 construction of the fibre optic network for Ultrafast Fibre Limited was completed. The completed network serves Hamilton, Cambridge, Te Awamutu, Hawera, New Plymouth, Wanganui, Tokoroa and Tauranga. This has since been extended to construction of fibre networks in some smaller townships.

The initial establishment of UFFH was as a Joint Venture with Crown Fibre Holdings (CFH), the governments funding vehicle for establishing broadband services to a larger proportion of New Zealand homes and businesses. During 2016 the shareholders of UFFH negotiated an early buyout of CFH vesting full ownership in the two partners, Waipa Networks with 15% and WEL Networks 85%.

Waipa Networks retained a Director on the board of UFFH under the new ownership structure.

Funding for the capital development of UFFH and the CFH buyout continued to be by way of shareholder loans. The value of Company loans to UFFH at 31 March 2020 is \$72M.

Increasing customer connection numbers are steadily improving the financial performance of the fibre business with the expectation that shareholder loans begin to be paid back from profits in the medium term. Until that time, and in line with the business models, funding is forecast to be at the levels shown below.

	2020/21	2021/22	2022/23
Loans	\$92M	\$96M	\$94M

COMMITMENT TO OUR SHAREHOLDER

Nature and Scope of Activities

The nature and scope of the activities of Waipa Networks:

	2020/21	2021/22	2022/23
Distribution (GWh)	395	403	411
Contracting Sales (\$,000)	1,896	2,263	2,353

Any major diversification of activities into new business areas will be subject to consultation with Shareholders.

Capital Ratio

To provide Waipa Networks with the capacity to grow and enhance value to the shareholders, whilst maintaining an efficient capital structure that minimises risk, the Company will maintain the ratio of consolidated shareholders' funds to total assets for each year at not less than fifty-five per cent (55%).

Shareholders funds comprise the total issued capital, the balance of undistributed profits and all revenue and capital reserves.

Total assets of Waipa Networks will comprise all the recorded tangible and intangible assets of the Company at their current value as defined in the statement of accounting policies.

Performance Targets

Waipa Networks measures its performance against a range of safety, operational, and financial performance targets. The performance targets that have been set for the period are detailed in at the end of this document.

Dividends

The policy on apportioning net profits to be distributed to Shareholders will be determined by the Board of Directors from time to time in accordance with future results and taking into account circumstances, particularly future capital requirements. No dividend payment will be made without the approval of the Trust (shareholders).

Discounts

Connected Consumers will continue to receive a discount on their line charges during the year to 31 March 2021 and for the two following years. The level of discounts is forecast to be more than \$5.0M in 2020/21 and in each of the two following years. These discounts include a provision of \$400,000 per annum for loss rental rebates received from Transpower in that year.

Actual discounts will vary with the whole of the loss rental rebate actually received from Transpower being returned to consumers in the discount paid.

Information to be provided to shareholders

Within three months after the end of the first half of each financial year the Directors will deliver an unaudited half-yearly report to the Shareholders.

This will consist of:

1. A statement of financial position.
2. A statement of financial performance.
3. A statement of cash flows.
4. A report on activities.

Within three months after the end of each financial year Directors will deliver to Shareholders an annual report and audited financial statements which will consist of:

A Directors' report including:

1. A review of operations;
 - a) Measurement of performance in relation to objectives;
 - b) Recommendation in respect of dividend.
 - c) A statement of financial position.
2. A statement of financial performance.
3. A statement of cash flows.
4. The Auditor's report on the above statements which shall include an audit of the measurement of performance in relation to objectives.

Further Information

Waipa Networks will provide such additional information or reports to the Waipa Networks Trust as it may require in order to properly undertake its duties and to act as a diligent trustee shareholder as prescribed in the Trust Deed acting collectively in the best interests of the Trust Fund and of the Consumers as beneficiaries.

Accounting Policies

Waipa Networks accounting policies are consistent with generally accepted accounting practice ('GAAP'). They comply with New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS') and other applicable Financial Reporting Standards.

Waipa Networks Limited is a for profit company for the purposes of complying with GAAP.

Waipa Networks financial statements are prepared in accordance with the requirements of the Companies Act 1993 and Energy Companies Act 1992.

Procedures for the Subscription, Acquisition and Disposal of Shares

Directors will consider the subscription for, or acquisition of, shares, in any company only where it is consistent with the long-term commercial objectives of Waipa Networks.

If in the opinion of the Directors the subscription or acquisition of shares, or assets in new business ventures or subsidiary companies, is considered significant to the Company's level of operations it would be subject to consultation with the Shareholders.



KEY ASSUMPTIONS IN FINANCIAL FORECASTS

The 2020/21 year is based on the Company budget. The key assumptions used in calculating the financial forecast for subsequent years for Waipa Networks Limited on the following pages are as follows:

2.0% growth in network sales volume per annum is assumed.

Revenue is based on prices effective from 1 April 2020. Future increases in electricity tariffs have been forecast to increase by inflation plus estimated ICP growth

Capital expenditure as per the Asset Management Plan and the Company 2020/21 budget.

These assumptions were adopted on 26 March 2020. No actual financial results are incorporated in the forecasts.

These forecasts will next be updated in the Statement of Corporate Intent for 2022. The forecasts will be reviewed and refined before adoption as budgets prior to the commencement of each of the respective years.

The information on which the Statement of Corporate Intent has been prepared is solely for the purposes of this document and may not be appropriate for other purposes.

The actual results achieved for the periods forecast could have material variations from the information presented, and the variations may be material.

PERFORMANCE TARGETS

The following are the budgeted and projected performance targets for the next three years ending 31 March 2023. The financial projections have been prepared based on certain assumptions and are subject to changes in the economic and regulatory environment in which the Company operations and would be subject to further discussion with the Shareholder.

Note that the financial performance measures beginning in the year to 31 March 2021, are adversely impacted by the Commerce Commission' impending price reset, which is undertaken every five years as legislated under Part 4 of the Commerce Act 1986. The decline in financial ratios is due to an expected drop in the allowable cost of capital. Driven by the very low interest rate environment, compared to the previous settings determined by the Commerce Commission in 2014.

2017/18	2018/19	2019/20		2020/21	2021/22	2022/23
Financial Performance Indicators						
5.01%	5.01%	4.3%	Net Surplus before interest expense and tax as a percentage of total assets	4.9%	4.7%	4.8%
4.31%	4.31%	3.8%	Net Surplus after tax as a percentage of Equity	5.0%	4.6%	4.7%
60.07%	59.54%	59%	Ratio of Equity to total Assets	59%	59%	60%
Cost Performance Measures:						
\$173	\$208	\$210	Maintenance costs per electricity Customer	\$235	\$235	\$235
\$85	\$104	\$95	Operational expenditure per electricity Customer	\$115	\$115	\$115
Energy Delivery Performance Measures:						
5.09%	5.48%	5.40%	Loss Ratio	6.5%	6.5%	6.5%
Energy Reliability Performance Measures:						
11.0	10.8	9.8	Faults per 100km lines (11kV)	13.5	13.5	13.5
217	168	237	SAIDI (minutes per customer)	244	244	244
1.81	1.37	2.36	SAIFI (interruptions per customer)	2.68	2.68	2.68
Staff Safety:						
8.7	8.1	6.7	Lost time Work Accidents per 100 employees	Nil	Nil	Nil
504	748	718	Total Hours Lost per annum	Nil	Nil	Nil
0.47%	0.68%	0.51%	Percentage of hours lost per annum	0.0%	0.0%	0.0%

ACHIEVEMENT OF 2020 PERFORMANCE TARGETS

Commercial	
Maintain our governance influence on the Board of Waikato Networks Ltd to achieve a successful commercial result.	Achieved
Explore the possibility of new ventures brought about by disruptive technology developments including investment in pilot projects.	Achieved
Energy Efficiency	
Continue to measure the carbon footprint for the Harrison Drive depot.	Achieved
Continue to develop strategies to reduce our overall carbon footprint.	Achieved
Implement a Fleet Electrification Strategy.	Achieved
Continue to promote the uptake of electric vehicles in the Waipa Networks area	Achieved
Encourage retailers to offer pricing options that reflect Waipa Networks "Advanced Pricing" strategy (efficient use of network).	Achieved
Develop a project to encourage the uptake of energy-efficient LED lightbulbs.	Not Achieved
Customer Service	
Resolve 95% of complaints using the Company's Complaints Resolution Process without escalation to Utilities Disputes Ltd (formerly the Electricity and Gas Complaints Commissioner).	Achieved
Achieve a minimum 90% overall satisfaction rating in the annual independent customer survey.	Achieved
Benchmark customer satisfaction in relation to Planned Outages and New Connections.	Achieved
Expand the use of tablet-based data access and collection to more team members and fault response.	Achieved
Continue to negotiate updated Use-of-System Agreements with energy retailers.	Achieved
Security of Supply	
Undertake detailed network analysis, at transmission and sub-transmission levels, to define capital investment plans to cater for the increased demand being experienced.	Achieved
Formalise the Asset Management Improvement Plan and make appropriate progress in implementation	Achieved
Continue asset surveys, preventative maintenance and tree cutting on the network.	Achieved
Continue the application of automated devices for network resilience, performance and restoration.	Achieved
Continue the replacement of older switching equipment and transformers	Achieved
Compliance Issues	
To continue to have good relationships with industry regulators, with particular reference to achieving good outcomes on new technology investments	Achieved
Continue to meet all legislative compliance requirements.	Achieved
Social and Community	
Continue to market Green Credentials to the local community.	Achieved
Continue to promote our photovoltaic generation on our smart home web site and elsewhere.	Achieved
Monitor PV impact on subdivision requiring installation by covenant compared with standard subdivision of similar aged and value dwellings	Achieved
Install PV and battery storage in a commercial development to monitor impact on usage and ability to manage domestic peak demand	Achieved
Implement a communications plan for stakeholders with an interest in Waipa Networks' asset management plan.	Partially Achieved
Staff	
Improve OSH culture and eliminate all injury accidents through implementation of the Health, Safety & Risk Strategic Plan.	Not Achieved

WAIPA NETWORKS LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDING 31 MARCH

Forecast						
2017/18	2018/19	2019/20		2020/21	2021/22	2022/23
				\$000	\$000	\$000
			REVENUE			
30,986	30,837	30,963	Line Charges	31,493	32,187	32,903
5,026	4,758	5,091	Less discounts	5,050	5,150	5,250
<u>25,960</u>	<u>26,079</u>	<u>25,872</u>	Net Line Charges	<u>26,443</u>	<u>27,037</u>	<u>27,653</u>
7,356	6,049	4,431	Other Revenue	6,964	5,603	5,632
<u>33,316</u>	<u>32,128</u>	<u>30,303</u>	Net Revenue	<u>33,407</u>	<u>32,640</u>	<u>33,285</u>
9,683	8,785	8,615	Transmission	8,615	8,615	8,615
0	0	0	Market Costs			
0	0	0	Energy			
9,918	10,728	10,709	Operations	10,035	10,189	10,325
4,383	4,513	4,855	Depreciation	4,855	5,065	5,217
<u>23,984</u>	<u>24,026</u>	<u>24,179</u>	Operating expenses	<u>23,505</u>	<u>23,869</u>	<u>24,157</u>
9,332	8,102	6,124	Profit from operations	9,902	8,771	9,128
2,791	3,302	3,928	Interest income	3,976	4,487	4,693
(37)	(33)	(4)	Net Gain on Disposal of Assets	35	35	35
<u>12,086</u>	<u>11,371</u>	<u>10,048</u>	Profit before interest expense and tax	<u>13,913</u>	<u>13,293</u>	<u>13,856</u>
2,659	2,721	2,780	Finance costs	2,818	2,585	2,561
(1,429)	(919)	93	Share of net profit (loss) of associates	0	0	0
<u>7,998</u>	<u>7,731</u>	<u>7,361</u>	Profit before tax	<u>11,095</u>	<u>10,708</u>	<u>11,295</u>
2,608	2,485	2,120	Tax	2,539	2,450	2,584
<u>5,390</u>	<u>5,246</u>	<u>5,241</u>	Profit after tax	<u>8,556</u>	<u>8,258</u>	<u>8,711</u>
0	0	0	Dividend	0	0	0
<u>5,390</u>	<u>5,246</u>	<u>5,241</u>	Profit after tax & dividend	<u>8,556</u>	<u>8,258</u>	<u>8,711</u>

WAIPA NETWORKS LIMITED
BALANCE SHEET
FOR THE YEAR ENDING 31 MARCH

2017/18	2018/19	Forecast 2019/20		2019/20	2020/21	2021/22
\$000	\$000	\$000		\$000	\$000	\$000
			Assets			
129,658	130,869	132,901	Property, Plant and Equipment	141,130	144,091	146,048
78,087	87,606	97,437	Investments	97,471	101,935	106,604
<u>207,745</u>	<u>218,475</u>	<u>230,338</u>	Total non-current assets	<u>238,601</u>	<u>246,026</u>	<u>252,652</u>
110	14	39	Cash & cash equivalents	80	15	48
0	0	0	Short Term Investments	0	0	0
3,345	3,717	2,843	Trade and other receivables	2,843	3,416	3,478
70	66	360	Prepayments	370	370	370
148	27	200	Work in progress	200	200	200
1,267	1,388	900	Inventories	900	900	900
<u>4,940</u>	<u>5,212</u>	<u>4,342</u>	Total current assets	<u>4,393</u>	<u>4,901</u>	<u>4,996</u>
<u>212,685</u>	<u>223,687</u>	<u>234,680</u>	Total Assets	<u>242,994</u>	<u>250,927</u>	<u>257,648</u>
<u>127,751</u>	<u>132,997</u>	<u>138,205</u>	Equity			
			Retained earnings	<u>144,162</u>	<u>152,420</u>	<u>161,131</u>
			Liabilities			
51,830	56,460	61,560	Loan	60,200	61,300	59,000
3,092	3,125	3,198	Waipa Networks Loan	3,125	3,125	3,125
3,812	4,156	3,440	Provisions	7,367	7,367	7,367
21,915	22,359	22,359	Deferred tax liabilities	22,221	22,527	22,833
<u>80,649</u>	<u>86,100</u>	<u>90,557</u>	Total non-current liabilities	<u>92,913</u>	<u>94,319</u>	<u>92,325</u>
3,275	3,566	3,032	Trade and other payables	3,032	1,303	1,306
720	1,012	2,224	Provisions	2,224	2,224	2,224
0	0	0	Provision for dividend	0	0	0
290	12	662	Income tax payable	663	661	662
<u>4,285</u>	<u>4,590</u>	<u>5,918</u>	Total current liabilities	<u>5,919</u>	<u>4,188</u>	<u>4,192</u>
<u>84,934</u>	<u>90,690</u>	<u>96,475</u>	Total liabilities	<u>98,832</u>	<u>98,507</u>	<u>96,517</u>
<u>212,685</u>	<u>223,687</u>	<u>234,680</u>	Total equity and liabilities	<u>242,994</u>	<u>250,927</u>	<u>257,648</u>



WAIPA NETWORKS LIMITED
STATEMENT OF CASH FLOWS
FOR YEAR ENDED 31 MARCH

2017/18	2018/19	Forecast 2019/20		2019/20	2020/21	2021/22
\$000	\$000	\$000		\$000	\$000	\$000
CASH FLOWS FROM OPERATING ACTIVITIES						
29,338	28,548	27,928	Receipts from customers	28,357	28,730	29,886
(18,976)	(19,041)	(22,324)	Payments to suppliers and employees	(13,329)	(20,050)	(18,452)
0	0	0	Tax Refund	0	0	0
(18)	19	(81)	Net GST	(82)	(83)	(85)
<u>10,344</u>	<u>9,525</u>	<u>5,523</u>	Cash generated from operations	<u>14,946</u>	<u>8,597</u>	<u>11,349</u>
10	0	0	Interest received	0	23	24
(2,085)	(2,331)	(2,780)	Interest Paid	(2,818)	(2,585)	(2,561)
0	0	0	Taxes received	0	0	0
(2,427)	(2,318)	(2,384)	Taxes paid	(2,239)	(2,144)	(2,278)
<u>5,842</u>	<u>4,877</u>	<u>359</u>	Net cash flows from operating activities	<u>9,889</u>	<u>3,891</u>	<u>6,534</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
72	90	20	Proceeds from sale of property, plant and equipment	55	55	55
2,407	3,224	6,535	Capital Contributions	4,375	2,937	2,937
0	0	0	Decrease in investments	0	0	0
0			Increase in Term Liabilities			
(5,681)	(5,779)	(6,300)	Purchase of property, plant and equipment	(13,000)	(8,048)	(7,193)
(4,615)	(7,137)	(5,762)	Increase in investments	(4,650)	0	0
0	0	0	Decrease in Term Liabilities			
<u>(7,817)</u>	<u>(9,602)</u>	<u>(5,507)</u>	Net cash used in investing activities	<u>(13,220)</u>	<u>(5,056)</u>	<u>(4,201)</u>
CASH FLOWS FROM FINANCING ACTIVITIES						
2,070	4,630	5,173	Proceeds from Borrowings	3,400	1,100	(2,300)
95	(96)	25	Net increase (decrease) in cash held	69	(65)	33
15	110	14	Cash and cash equivalents at 1 April	11	80	15
<u>110</u>	<u>14</u>	<u>39</u>	Cash and cash equivalents at 31 March	<u>80</u>	<u>15</u>	<u>48</u>
CASH BALANCES IN THE BALANCE SHEET						
<u>110</u>	<u>14</u>	<u>39</u>	Cash and cash equivalents	<u>80</u>	<u>15</u>	<u>48</u>

