



**Statement of Corporate Intent  
2021/22**

# Contents

<b>Our Purpose</b>	<b>6</b>
<b>Our Mission</b>	<b>8</b>
<b>Strategic Objectives</b>	<b>10</b>
<b>Our Focus</b>	<b>12</b>
<b>Our Beliefs</b>	<b>13</b>
<b>Our Strategic Intent</b>	<b>14</b>
<b>Company Overview</b>	<b>16</b>
<b>Commitment to our Shareholders</b>	<b>17</b>
<b>Key Assumptions</b>	<b>20</b>
<b>Performance Targets</b>	<b>20</b>
• <b>Income Statements</b>	<b>22</b>
• <b>Balance Sheet</b>	<b>23</b>
• <b>Statement of Cash Flows</b>	<b>25</b>

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 commencing 1 April 2021 and the following two financial years.



Cover—installation of swamp pad  
This page—Big job on Fencourt Road installing automatic ENTEC switches

WAIPA NETWORKS

*Trust*



# WAIPA NETWORKS



## OUR PURPOSE

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



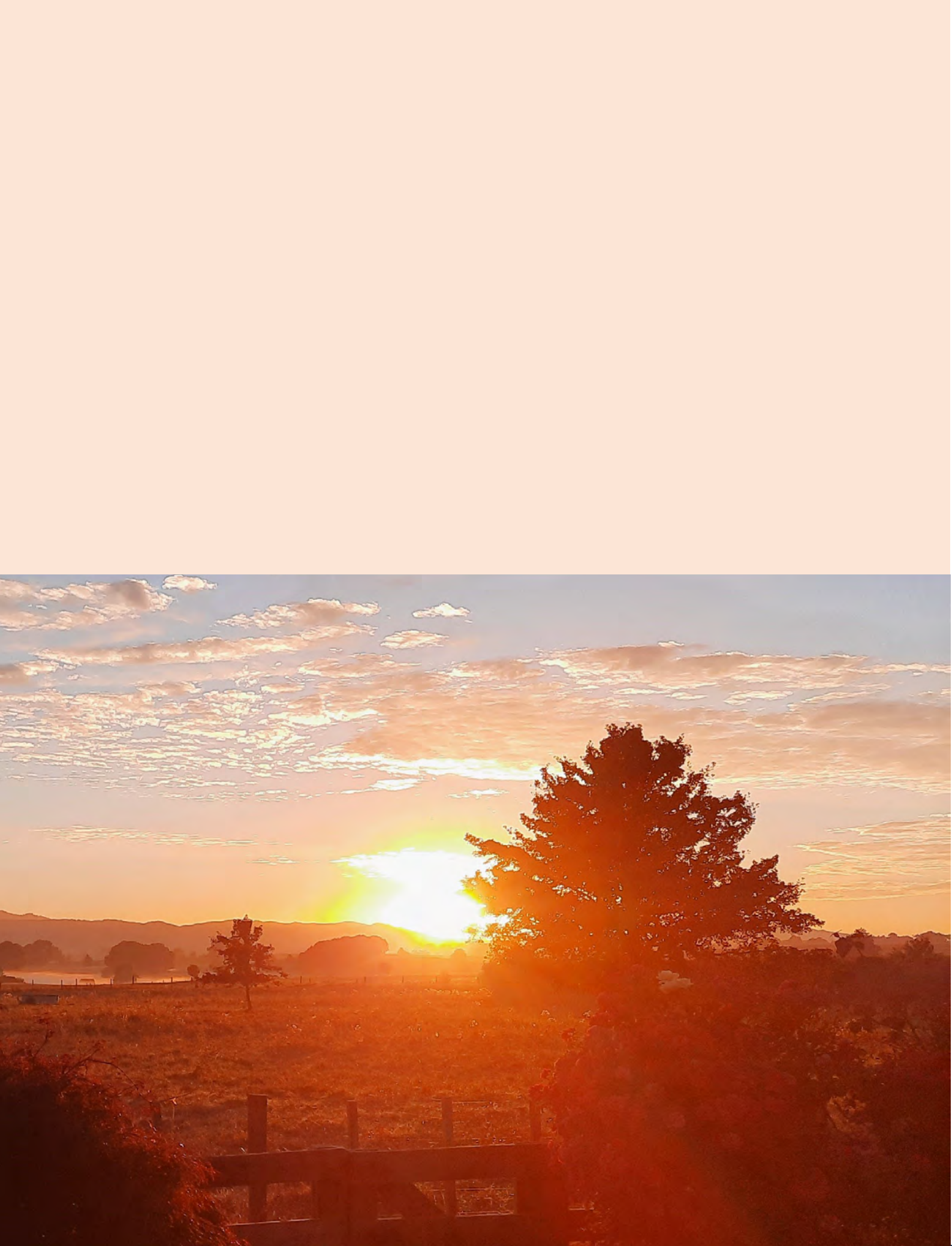


## **OUR MISSION**

***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



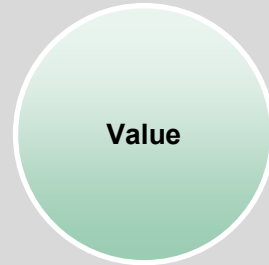
*Everyone home safe every day*



*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***



Office for the day—photo by Planner Ryan Deeley

## 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.

During 2020 the Company successfully divested of its shareholding in Ultra-Fast Fibre. This transaction cleared all funding requirements for Waipa Networks. The balance of funds after debt was repaid, in the amount of \$65M, have been placed in a managed investment portfolio.

## **COMMITMENT TO OUR SHAREHOLDER**

### ***Nature and Scope of Activities***

The nature and scope of the activities of Waipa Networks:

	2021/22	2022/23	2023/24
<b>Distribution (GWh)</b>	399	411	424
<b>Contracting Sales (\$,000)</b>	2,201	2,234	2,268

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 2022 and for the two following years. The level of discounts is forecast to be approximately \$4.7M in 2021/22 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.

### ***Social and Community***

Waipa Networks will operate in a manner which actively reflects the Company's sensitivity to our social, cultural and natural environment. The Company believes we are part of our community. A good relationship is therefore considered an essential element of the business. Waipa Networks will achieve this by:

- Maintaining a portfolio of sponsorships.
- Communicating with all stakeholders.
- Promoting our environmental policy.
- Maintaining public awareness of who we are and what we do.
- Being acknowledged as a good corporate citizen.
- Conducting opinion surveys of connected consumers.
- Providing value for money.

Waipa Networks will undertake consultation with the Shareholders on all social and cultural issues which the Board of Directors considers will significantly affect the greater community.

### ***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 2021/22 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:

1.5% growth in network sales volume per annum is assumed.

Revenue is based on prices effective from 1 April 2021. 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 2021/22 budget.

These assumptions were adopted on 24 March 2021. No actual financial results are incorporated in the forecasts.

These forecasts will next be updated in the Statement of Corporate Intent for 2023. 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.

The Company does not engage in related party internal transactions.

## **PERFORMANCE TARGETS**

The following are the budgeted and projected performance targets for the next three years ending 31 March 2024. 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 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 a 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.

Key Performance Indicator	Forecast 2020/21	Target 2021/22	How we will be measured
<b>Financial</b>			
We will generate a sustainable Return on Total Assets	4.9%	4.9%	Net surplus before interest and tax as a percentage of Total Assets
We will generate a sustainable Return on Equity	5.0%	4.6%	Net Surplus after tax as a percentage of Equity
We will meet all expectations under the Discount Policy	\$4.98m	\$4.70m	We will report on the discount paid to beneficiary customers during the year.
<b>Network Performance</b>			
Reliability - SAIDI	259	244	Calculation aligned to Default Price Path Compliance regulations (minutes per customer, target from 2021 AMP)
Reliability - SAIFI	1.74	2.68	Calculation aligned to Default Price Path Compliance regulations (interruptions per customer, target from 2021 AMP)
Network sustainability	n/a	We will investigate a meaningful measure (or activity)	Implementing measures that show that long-term network condition is being preserved.
<b>Customer, Community and Environment</b>			
Cambridge network resilience	n/a	We will secure and consent a site for the new Cambridge GXP	
Deliver a community energy project	n/a	Deliver a community energy project	
Climate Impact	n/a	We will develop measures of the Company's Carbon Footprint	We will measure and seek to reduce our contribution to Climate Change
<b>People</b>			
Nil serious harm injuries <sup>1</sup>	0	Nil	We will measure how many incidents resulted in serious harm
Incidents related to critical risks to be reduced by 10%	n/a	We will establish a measure of our critical risk related injuries (through the new H&S application)	We will measure and report incidents against each critical risk as a basis for future trend reporting

<sup>1</sup> Serious harm is defined as a notifiable event under the Health and Safety at Work Act guidelines published by WorkSafe NZ.

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

Forecast 2020/21		2021/22 \$000	2022/23 \$000	2023/24 \$000
	<b>REVENUE</b>			
31,884	Line Charges	32,650	33,432	34,236
4,980	Less discounts	5,150	5,250	5,350
26,904	Net Line Charges	27,500	28,182	28,886
6,452	Other Revenue	6,083	6,116	6,150
33,356	Net Revenue	33,583	34,298	35,036
7,882	Transmission	8,247	8,288	8,329
12,097	Operations	13,352	13,860	14,421
4,608	Depreciation	5,392	5,715	6,116
24,587	Operating expenses	26,991	27,863	28,866
8,769	Profit from operations	6,592	6,435	6,170
1,748	Investment Income	0	0	0
23	Net Gain on Disposal of Assets	20	20	20
10,540	Profit before interest expense and tax	6,612	6,455	6,190
928	Finance costs	148	148	148
29,141	Share of net profit (loss) of associates	0	0	0
38,753	Profit before tax	6,464	6,307	6,042
2,668	Tax	1,357	1,324	1,268
36,085	Profit after tax	5,107	4,983	4,774
0	Dividend	0	0	0
36,085	Profit after tax & dividend	5,107	4,983	4,774

**WAIPA NETWORKS LIMITED**  
**BALANCE SHEET**  
**FOR THE YEARS ENDING 31 MARCH**

Forecast 2020/21 \$000		2021/22 \$000	2022/23 \$000	2023/24 \$000
	<b>Assets</b>			
144,694	Property, Plant and Equipment	158,868	165,856	187,114
0	Investments	0	0	0
144,694	<b>Total non-current assets</b>	158,868	165,856	187,114
2,192	Cash & cash equivalents	0	0	0
65,000	Short Term Investments	65,000	60,000	50,000
3,556	Trade and other receivables	2,598	3,554	3,624
280	Prepayments	280	280	280
97	Work in progress	97	97	97
1,487	Inventories	1,487	1,487	1,487
72,612	<b>Total current assets</b>	69,462	65,418	55,488
217,306	<b>Total Assets</b>	228,330	231,274	242,602
	<b>Equity</b>			
178,180	Retained earnings	183,287	188,269	193,043
	<b>Liabilities</b>			
9,580	Provisions	9,379	9,379	9,379
22,408	Deferred tax liabilities	22,308	22,208	22,108
31,988	<b>Total non-current liabilities</b>	31,687	31,587	31,487
2,624	Trade and other payables	3,362	3,306	3,346
0	Loan	5,841	3,960	10,574
3,000	Waipa Networks Loan	3,000	3,000	3,000
725	Provisions	708	708	708
0	Provision for dividend	0	0	0
789	Income tax payable	445	444	444
7,138	<b>Total current liabilities</b>	13,356	11,418	18,072
39,126	<b>Total liabilities</b>	45,043	43,005	49,559
217,306	<b>Total equity and liabilities</b>	228,330	231,274	242,602





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

Forecast 2020/21 \$000		2021/22 \$000	2022/23 \$000	2023/24 \$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
29,744	Receipts from customers	30,820	29,715	31,339
(19,336)	Payments to suppliers and employees	(20,579)	(21,800)	(22,308)
<u>0</u>	Net GST	94	96	98
10,408	Cash generated from operations	<u>10,335</u>	<u>8,011</u>	<u>9,129</u>
1,748	Interest received	0	0	0
(928)	Interest Paid	(148)	(148)	(148)
0	Taxes received	0	0	0
<u>(2,964)</u>	Taxes paid	<u>(1,802)</u>	<u>(1,424)</u>	<u>(1,368)</u>
8,264	Net cash flows from operating activities	8,385	6,439	7,613
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
23	Proceeds from sale of property, plant & equipment	40	20	20
111,667	Proceeds from sale of Associate	0	0	0
2,969	Capital Contributions	3,127	3,127	3,127
0	Decrease in investments	0	5,000	10,000
	Increase in Term Liabilities			
15,909	Interest Received	0	0	0
(10,326)	Purchase of property, plant and equipment	(19,585)	(12,705)	(27,374)
(65,000)	Increase in investments	0	0	0
0	Decrease in Term Liabilities			
<u>55,242</u>	Net cash used in investing activities	<u>(16,418)</u>	<u>(4,558)</u>	<u>(14,227)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
0	Cash was applied to: Dividend	0	0	0
(61,388)	Proceeds from Borrowings	5,841	(1,881)	6,614
2,118	Net increase (decrease) in cash held	(2,192)	0	0
74	Cash and cash equivalents at 1 April	<u>2,192</u>	<u>0</u>	<u>0</u>
<u>2,192</u>	Cash and cash equivalents at 31 March	<u>0</u>	<u>0</u>	<u>0</u>
<b>CASH BALANCES IN THE BALANCE SHEET</b>				
<u>2,192</u>	Cash and cash equivalents	<u>0</u>	<u>0</u>	<u>0</u>
2,192	CASH BALANCES INCLUDING BORROWINGS	(5,841)	(3,960)	(10,574)

