



WAITAKI POWER TRUST

ANNUAL REPORT

For the year ended 31 March 2019



2019 ANNUAL REPORT

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DIRECTORY

TRUSTEES:

Dr. H.F. Brookes (Chairman)
Mr A.J. Brady
Mr J. Clements
Mr H.J. Tonkin
Mr J. Webster

BANKERS:

ANZ
The Octagon
Dunedin 9054

SECRETARY:

Mrs F.E. Ormandy

AUDITORS:

PricewaterhouseCoopers
Dunedin

SOLICITORS:

Berry & Co
Eden Street
Oamaru

INTRODUCTION

The range of Trust activity during the 2019 financial year has been increased by big picture proposals out of Wellington, put forward by government and government agencies.

- There has been a focus on the Electricity Price Review which is yet to be completed;
- significant work led by the Electricity Authority on policy relating to line charges;
- also by the Electricity Authority, what electricity lines companies should do to enable their consumers to gain greatest benefit from all the new technology now available (plus what is yet to be designed); and
- the 2018 Trust Bill before parliament which is yet to go through the Select Committee process.

Final decisions on the full raft of 'big picture' issues will make a difference in one way or the other, either by enhancing or adversely affecting the best interests of Network Waitaki consumers.

As it is fundamental to the role and responsibilities of your trustees to endeavor to ensure that the consequences of proposed changes coming out of Wellington are always in the best interests of Network Waitaki's consumers, the add on of responding to 'big picture' issues, has made 2019 an especially big year.

TRUSTEE/SHAREHOLDER MATTERS

Review of the Waitaki Power Trust Deed

In the 2017 financial year Trustees began a review of the Waitaki Power Trust Deed. The review was driven primarily because of concern that the terminology used in the Deed failed to clearly distinguish between the trustees' role as 100% **shareholders** of Network Waitaki Limited and Network Waitaki Limited consumers' position as **beneficiaries** of the trustee held assets of the Trust, namely the 100% shareholding in the Company.

Words such as 'returning the benefits of ownership of the shares to consumers' could be interpreted as saying that the consumers held the shares in the Company.

Work completed by the Trust's review sub-committee in the 2018 financial year was endorsed by all Trustees, approved by the Trust's solicitor and the proposed changes were put for consultation with Network Waitaki consumer/beneficiaries early in the current financial year.

Only three copies of the proposed amendments were requested, with only one consumer returning the amendment document along with the comment that 'the proposed amendments gave no cause for concern'!

Trustees and Directors completed the formal process of adopting the amended Trust Deed prior to a copy being forwarded to the Commerce Commission as required by statute.

Information sharing – Network Waitaki Limited, 100% Consumer Trusts, Energy Trusts of New Zealand (ETNZ) and the Commerce Commission

Full and frank discussion between the Chairman of the Trust, Helen Brookes, and the Chairman of the Company, Chris Dennison, based on the 'principle of no surprises' continued throughout the 2019 financial year.

The key ingredient of the 'no surprises' approach has been the development of a relationship based on 'honesty, respect and trust'.

Due to the emergence of the range of 'big picture' issues during the year information networks already in place between Waitaki Power Trust and the other eleven 100% consumer trusts across New Zealand was enlivened by inter-chair discussion as was the network relationship between Waitaki Power Trust and the Chair and Executive Officer of Energy Trusts of New Zealand.

A major concern shared by all parties continued to be the Electricity Authority's commitment to transform the majority, if not all twenty nine electricity lines businesses in New Zealand, to what is termed 'platform based service providers', that situation would see the contracting/maintenance section of each lines company in New Zealand having to carry out repair, maintenance and upgrade work under a formal contract, tendered for against other similar providers of contestable electricity services.

Government's Electricity Price Review also resulted in significant networking discussion between our 100% consumer trust colleagues, plus ETNZ including participation in an ETNZ organized teleconference which included input from lines company Chairs and CEOs as well.

A third network, established by Waitaki Power Trust in 2013 links trustee representatives from all twelve 100% consumer trusts in New Zealand and the Commerce Commission, and again members met with the Commission in May 2018.

Items discussed related to embedded networks, the Commerce Commission's regulatory role with respect to 100% consumer trusts and an issue tabled by way of a prepared document relating to Network Waitaki's need for a new point of supply from Transpower.

Advocating on behalf of Network Waitaki Consumers

Last year we reported on the role and responsibilities of Waitaki Power Trust's trustee/shareholders.

It was noted that in addition to responsibilities set out in legislation and the Waitaki Power Trust Deed, each Trustee also has a consumer advocacy role because they are elected by Network Waitaki's consumers.

The large majority of extra work undertaken on an annual basis and especially during the 2019 financial year has been based on the advocacy role each Trustee has.

The following example relating to Network Waitaki's need for a new point of supply from Transpower illustrates the point. Since 2006 Network Waitaki was continually reminded of the fact that irrigation's increasing demand for more electricity would result in the need for Transpower to increase its transmission supply to Network Waitaki. When Transpower did its growth predictions in 2009 it was obvious to the national grid operator too that something would need to be done. Despite consideration of a string of possible solutions since 2010, by early 2017 a commercially viable solution had not been found.

Trustees who were aware of the increasing need for more electricity to provide a reliable supply for Network Waitaki's customers decided to take action by putting the issue over to the Commerce Commission.

The Chairman of the Trust put together a document showing what Transpower's position had been to date and included several recommendations to facilitate progress because proposed power cuts as a solution were not in the best interests of any of Network Waitaki's consumers.

That document, sub-titled "A case study – Network Waitaki Limited and its Consumers' Woes!" was tabled at the May 2018 meeting between trustees of 100% consumer trusts and the Commerce Commission.

A letter to the Chairman of the Commerce Commission on the issue of Network Waitaki's supply was forwarded after that meeting.

It is now a matter of watch this space but we predict that the 2020 financial year will see a positive decision made.

Waitaki Power Trust Website

The development of the Trust website was overseen by a website development sub-committee. It is intended to provide a means of communication and sharing of knowledge with consumers. The challenge is to keep the website information current and interesting. To achieve this, Anna Brensell from 'GoAnna Design' has been employed to maintain our professional image.

We envisage the website to be the Trust's 'shop window' to our consumers, where knowledge and information is shared. Additionally we hope younger generations will participate, and even consider the possibility of joining the Trust.

Energy Trusts of New Zealand Conferences

Wellington May 2018

The electricity price review had just been introduced by the government and created a lot of interest from both ETNZ and the trusts themselves. Several speakers focused on this. Other presentations were made on the strategy and focus of the Energy Efficiency Conservation Authority (EECA), climate change and the role of ecobulbs in today's homes.

Napier November 2018

The focus was on the electricity price review and the fact that trusts need to spring into action to respond to this challenge.

Technology was also covered in relation to batteries and solar generation. The target of being carbon free by 2050 by which time electricity demand is predicted to double, presents its own challenges.

There were also presentations on creating storm resilience within electricity distribution companies and the legal perspective of the requirements of trustees when working in their trust.

Director Appointments to Network Waitaki Board

In June 2018 John Walker stood down from the Network Waitaki board after 13 years of very good service.

Tony Wood retired by rotation but made himself available for reappointment.

Following New Zealand wide advertising seeking interest from prospective directors twenty two applications were received. Following the interview process Tony Wood (Oamaru) and Mike Underhill (Wellington) were appointed.

The Chairman of the Board has since told the Trust that the Board appointments made in recent times have added real value to the Board of Directors.

NETWORK WAITAKI LIMITED ANNUAL REPORT

Returning the benefits of Trustee Ownership of Network Waitaki shares to Consumers

An Annual Discount

Network Waitaki Limited continues to be a 'summer peaking' network. This is mainly due to the volume of electricity required to service the ever increasing number of dairy sheds and the increase of the irrigation systems in our area. There are two main consequences from these investments that impact on the consumer discount.

Firstly, providing the electricity needed for these two developments has required investment in upgrade work, with its associated costs. Secondly, the variable charge component of Network Waitaki's line tariff, included in the cost of a unit of electricity contributes significantly to the Company's revenue.

For the 2019 financial year, after due allowance for the investment in capital work across the entire network, and the retained earnings needed for planned work in the 2020 year, this has allowed the Directors to provide for a discount pool of \$1.5 million (excluding GST) being returned to the consumers. This compares with a discount pool of \$1.6 million (excluding GST) for the previous year.

Additionally, Network Waitaki consumers continue to receive further benefits of Trust ownership of Network Waitaki through a reliable and timely service, plus low line tariffs, which remain in the bottom 25% of charges across New Zealand's twenty-nine electricity distribution networks.

Trustee/Shareholders' comments on Network Waitaki's performance

Network Waitaki's annual accounts show that the net profit for the year was \$2,780,999, as compared to the previous year of \$3,733,642. There were small changes in all the items that made up the result. But overall the net result was acceptable in comparison with the Statement of Corporate Intent.

The amount of capital expenditure during the year was \$9,001,403. This was all funded from internal sources.

At the Company's Annual General Meeting, the Trustee Shareholders expressed their pleasure at the results and complimented the Directors, management and staff on the financial results.

Monitoring Network Waitaki's performance against the Company's Statement of Corporate Intent

The key performance measures as set out in the Statement of Corporate Intent, together with the two key non-Financial Performance measures as compared to the actual results in the Company's 2019 Annual Accounts, are as set out in the schedules below.

Key Financial Performance Measures

	ACTUAL	SCI	VARIANCE
NPBT to Shareholder funds	4.31%	4.35%	-0.04%
Net Assets per Share	\$6.61	\$6.63	-\$0.02
NPBT Earnings per Share in Cents	28.53	28.84	-0.31
Ratio of Shareholders' Funds to Total Assets	82.74%	84.95%	-2.21%
Ratio of Return after Tax on Shareholder funds	3.00%	3.13%	-0.13%

Non-Financial Performance Measures

	ACTUAL	SCI	VARIANCE
Average Interruption Duration (SAIDI) – normalised	148	150 to 250	Outside Band
Average number of minutes electricity supply was lost per customer, normalised by limiting the impact of a major event day.			
Average Interruption Frequency (SAIFI) – normalised	1.68	1.0 to 2.0	Inside Band
Average frequency of interruptions to electricity supply per customer during the year, normalised by limiting the impact of a major event day.			

The Trustees accept that the small variances in the various measures are acceptable.

Network Waitaki – Health and Safety

It is extremely important that management of employee safety continues to be a major factor in the electrical industry. This ensured the continuous operation of a reliable network throughout the 2019 financial year. Management and Directors have continued to place health and safety with respect to both training and work practices high on their list of priorities. No serious injuries have been recorded.

Network Waitaki Capital and Maintenance work

The upgrade of the Pukeuri substation has now been completed. A new substation is to be built later in the new year at Easton Road. Line tightening of the 66kV line from Kurow to Duntroon has been completed. Parsons Road substation has had a major upgrade. Major work has been completed on the 33kV line from Omarama to Twizel. Vegetation control is ongoing. Delta now has the contract to restrict the growth of trees near power lines to reduce outages caused by falling branches in high winds.

Maintenance for all lines and 'red' tagged poles is running at budget. The new technique of pole testing is working well. The aim to test 20% of poles is ahead of planning. The experience of failure of a number of insulators on air brake switches early in the year necessitated a replacement programme of top priority. On inspection fifty were found to be faulty. These have now been replaced. Another inspection is planned for February 2020. As part of the Company's network assessment programme line patrol costs are above budget.

Network Waitaki's level of lost minutes of supply to consumers, in terms of the number of consumers affected and the length of outages, was among the lowest for lines companies in New Zealand. That rating occurred despite the fact that glove and barrier work which enable linesmen to work on lines while the power is still on, was not being used. A review of glove and barrier work was also carried out with more flexible conditions being agreed. A good outcome from using the glove and barrier technique in the future means that consumers' power will stay on and lengthy outages will be reduced.

Network Waitaki - New Technologies

New technologies (ie solar, electric vehicles, batteries and wind) are going to test and result in changes to our networks. If we don't embrace technology developments, we may find that our poles and lines are not sufficient to maintain our network dominance in distributing electrical energy. Doing nothing is not an option as New Zealand moves towards zero carbon emissions by 2050.

Waitaki Power Trust and Network Waitaki - The Future

With the electrical energy needs growing for domestic, commercial and farming activity in the Network Waitaki area, we will be facing a new grid exit point of supply from Transpower in the next few years.

With proposed changes in government legislation such as the Trust Act and the Electricity Authority's drive to increase competition, the future outlook for the Trust and Network Waitaki also is forever changing. Any actions we take need to be taken in the best interests of our consumers and to retain local ownership of our network. Financial stewardship has been the hallmark of the Trust for many years. However future developments, like new technologies and a grid exit point, will demand considerable financial investment to adapt to these changes. It is a challenge that needs good leadership and decision making. To do nothing is to slip backwards.

ACKNOWLEDGEMENTS

As Chairman of Waitaki Power Trust I am proud to be able to say that Trustees generally have resolved issues dealt with throughout the 2019 financial year in a collaborative rather than a combative way. The constructive expression of divergent views has been healthy and has usually led to a more balanced outcome that all Trustees can support. The unifying factor is our golden rule – always to base decisions on what is best for Network Waitaki's customers whom we represent.

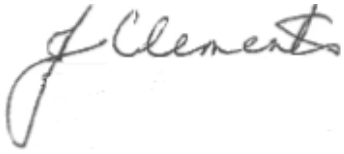
Waitaki Power Trust Secretary, Mrs Faye Ormandy, too has played an important role. Her knowledge and understanding of electricity distribution issues has continued to grow year by year so that the information required before decisions are made is always available before the start of every meeting. Thank you Faye.



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Trustee, H F Brooks



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Trustee, A J Brady



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Trustee, J Clements



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Trustee, H J Tonkin



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Trustee, J Webster

Trustees' Report

GENERAL DISCLOSURES

The Trustees present their Annual Report together with Audited Financial Statements for the year ended 31 March 2019.

PRINCIPAL ACTIVITIES

To hold the shares in Network Waitaki Limited for the benefit of the consumers of Network Waitaki Limited.

REVIEW OF FINANCIAL PERFORMANCE

The Trust loss after tax for the year was \$55,324 (profit for 2018 was \$39,423).

DONATIONS

No donations were made during the 2018 or 2019 years by the Trust, however donations were made by Network Waitaki Limited. Donations made by Network Waitaki Limited amounted to \$116,745 (excluding GST) in 2019 and \$110,595 in 2018.

REMUNERATION OF TRUSTEES AND DIRECTORS

Remuneration paid to Trustees:

	Trustee Fees
	\$
Dr. H. F. Brookes	19,024
Mr. A.J. Brady	14,115
Mr. J. Clements	14,115
Mr. H.J. Tonkin	14,115
Mr. J. Webster	14,114
Total Trustees' fees	75,483

Remuneration paid to Directors:

Shareholders authorised total Directors' remuneration of \$227,045 for activities undertaken by Directors on behalf of the company.

	Total Directors' fees paid
	\$
Mr. D. Atkinson	33,951
Mr. C. Bailey	33,951
Mr. C.J. Dennison	57,289
Mr. D.A. Ruddenklau	33,951
Mr. M.C. Underhill	25,577
Mr. J.D. Walker	8,375
Mr. A.J. Wood	33,951
Total Directors' fees	227,045

EMPLOYEE REMUNERATION

The Companies Act 1993 requires the number of employees receiving remuneration greater than \$100,000 to be disclosed. Details of remuneration ranges for employees of Network Waitaki Limited are:

Remuneration Range	Number of Employees
\$100,000 - \$109,999	7
\$110,000 - \$119,999	6
\$120,000 - \$129,999	2
\$140,000 - \$149,999	1
\$150,000 - \$159,999	2
\$160,000 - \$169,999	1
\$300,000 - \$309,999	1
\$380,000 - \$389,999	1

EVENTS SUBSEQUENT TO BALANCE DATE

The Directors are not aware of any matter or circumstance since the end of the financial year, not otherwise dealt with in this report that has significantly affected or may significantly affect the operation of Network Waitaki Limited, the results of those operations or the state of affairs of Network Waitaki Limited.

Trustees' Report (continued)

USE OF TRUST INFORMATION

There were no notices from Trustees of Waitaki Power Trust requesting to use Trust information received in their capacity as Trustees which would not otherwise have been available to them.

TRUSTEES' AND DIRECTORS' BENEFITS

No Trustee or Director has received, or become entitled to receive, any additional benefit.

TRUSTEES' AND DIRECTORS' INDEMNITY LIABILITY INSURANCE

A liability insurance cover is in place for Trustees, Directors and Officers.

SPONSORSHIPS AND DONATIONS

Network Waitaki Limited has supported the community by providing the following sponsorships and donations:

26 Squadron Air Training Corps Oamaru	1,500	Oamaru Free Kindergarten Assn	1,500
Anglican Family Care Centre (Inc)	646	Oamaru Heritage Fencing Club	1,500
Awakino Alpine Charitable Trust	1,000	Oamaru Rowing Club Inc	700
CCS Disability Action Waitaki Inc	500	Oamaru Squash And Badminton Club	1,000
Citizens' Advice Bureau North Otago Inc	2,000	Oamaru Steam & Rail Restoration Society Ltd	2,000
Excelsior Rugby & Ass. Sports Club Inc	1,000	Oamaru Swim Club Inc.	1,500
Filipino Waitaki Inc	1,500	Oamaru Tap Dancing Association	1,000
Harbour Street Jazz Inc.	2,000	Papakaio School	5,000
Kakanui Preschool Playgroup	600	Pathfinders Gymnastics Oamaru	1,000
Lower Waitaki Playcentre	800	Royal NZ Plunket Trust Otago Area	1,000
Maheno Netball Club Inc	700	Sport Otago	4,000
Meadowbank Bowling Club Inc	1,000	St Josephs School	1,000
N.Otago Section of the NZ Alpine Club	2,000	St Kevins College	3,000
North Otago Basketball Assn. Inc	3,000	St Patricks Scout Troup	1,000
North Otago Cricket Association	5,000	Target Shooting North Otago	500
North Otago Group - Riding for the Disabled Inc	900	The House Of Breakthrough Trust Oamaru	1,000
North Otago Lawn Tennis Association Inc	1,000	The North Otago Hockey Association	1,500
North Otago Netball Centre Inc.	2,000	The Oamaru Whitestone Civic Trust	5,000
North Otago Recreational Turf Trust	8,000	Ultra A2O Run	7,500
North Otago Rock & Mineral Club Inc	1,000	Union Cricket Club (Oamaru) Inc.	1,500
North Otago Rugby Football Union Inc	8,000	Valley Rugby Football Club Inc	1,500
North Otago Sports Bodies Assn Inc.	5,000	Vanished World Inc	750
North Otago Zone Scouts	1,500	Waitaki Boys' High School	3,000
Oamaru Athletic Marist Rugby Football Club Inc	500	Waitaki Girls' High School	3,000
Oamaru Bluelight Ventures Inc	2,000	Waitaki Road Safe Inc	2,000
Oamaru Elim Church Trust	750	Waitaki Valley School	7,000

The activities of each of these groups help in the promotion of the North Otago Community and the growth of the local economy.

AUDITORS

The Auditor for the Trust is PricewaterhouseCoopers. In accordance with Section 45 of the Energy Companies Act 1992, PricewaterhouseCoopers, on behalf of the Controller and Auditor-General, is the Auditor of Network Waitaki Limited.

For and on behalf of the Trust,



Chairman
5 July 2019



Trustee, A J Brady
5 July 2019

Statements of Comprehensive Income

for the year ended 31 March 2019

	Notes	GROUP		TRUST	
		2019	2018	2019	2018
		\$	\$	\$	\$
Operating Revenue	2	22,905,417	23,613,400	-	-
Customer Discount		(1,478,837)	(1,579,845)	-	-
Dividend		-	-	-	100,000
		<u>21,426,580</u>	<u>22,033,555</u>	<u>-</u>	<u>100,000</u>
Less					
Operating expenses	3	(4,752,696)	(4,884,740)	(131,004)	(136,462)
Transmission		(4,840,864)	(5,053,577)	-	-
Employee Costs		(3,758,527)	(3,152,927)	-	-
Depreciation, Amortisation and Impairment	4	(4,389,802)	(4,129,241)	-	-
Operating Profit		<u>3,684,691</u>	<u>4,813,070</u>	<u>(131,004)</u>	<u>(136,462)</u>
Finance Income		254,276	284,652	75,680	75,885
Profit Before Tax		3,938,967	5,097,722	(55,324)	39,423
Taxation	5	(1,213,292)	(1,424,657)	-	-
		<u>2,725,675</u>	<u>3,673,065</u>	<u>(55,324)</u>	<u>39,423</u>
Net Profit/(loss) for the Year		<u>2,725,675</u>	<u>3,673,065</u>	<u>(55,324)</u>	<u>39,423</u>
Other Comprehensive Income		-	-	-	-
Total Comprehensive Income/(loss)		<u>2,725,675</u>	<u>3,673,065</u>	<u>(55,324)</u>	<u>39,423</u>

Statements of Changes in Equity

for the year ended 31 March 2019

GROUP	Trust Equity	Retained Earnings	Total Equity
Balance at 1 April 2017	14,500,100	73,081,911	87,582,011
Profit for the year, being total comprehensive income		3,673,065	3,673,065
Balance at 31 March 2018	<u>14,500,100</u>	<u>76,754,976</u>	<u>91,255,076</u>
Balance at 1 April 2018	14,500,100	76,754,976	91,255,076
Profit for the year, being total comprehensive income		2,725,675	2,725,675
Balance at 31 March 2019	<u>14,500,100</u>	<u>79,480,651</u>	<u>93,980,751</u>
TRUST	Trust Equity	Retained Earnings	Total Equity
Balance at 1 April 2017	14,500,100	921,166	15,421,266
Loss for the year, being total comprehensive loss		39,423	39,423
Balance at 31 March 2018	<u>14,500,100</u>	<u>960,589</u>	<u>15,460,689</u>
Balance at 1 April 2018	14,500,100	960,589	15,460,689
Loss for the year, being total comprehensive loss		(55,324)	(55,324)
Balance at 31 March 2019	<u>14,500,100</u>	<u>905,265</u>	<u>15,405,365</u>

These financial statements should be read in conjunction with the attached notes.

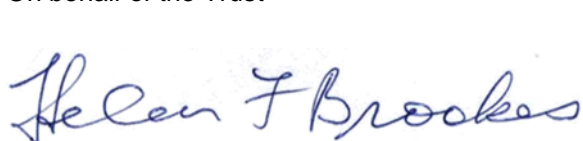
Statements of Financial Position

as at 31 March 2019

		GROUP		TRUST	
	Notes	2019	2018	2019	2018
		\$	\$	\$	\$
CURRENT ASSETS					
Cash and Cash Equivalents		961,583	1,410,743	31,786	4,357
Term Deposits		6,125,000	7,045,000	225,000	295,000
Trade and Other Receivables	6	2,947,511	2,411,944	9,256	12,186
Inventories	11	1,704,623	1,352,305	-	-
Work in Progress		8,987	577	-	-
Taxation Receivable		-	89,372	-	4,896
TOTAL CURRENT ASSETS		11,747,704	12,309,941	266,042	316,439
NON-CURRENT ASSETS					
Investments	7	-	-	14,000,000	14,000,000
Loan to Network Waitaki Limited	8	-	-	1,150,000	1,150,000
Property, Plant and Equipment	9	99,905,590	95,180,931	-	-
Intangible Assets	10	503,199	647,284	-	-
TOTAL NON-CURRENT ASSETS		100,408,789	95,828,215	15,150,000	15,150,000
TOTAL ASSETS		112,156,493	108,138,156	15,416,042	15,466,439
CURRENT LIABILITIES					
Trade and Other Payables	12	2,630,389	2,350,323	10,677	5,750
Employee Entitlements	13	735,105	666,170	-	-
Tax Payable		136,970	-	-	-
TOTAL CURRENT LIABILITIES		3,502,464	3,016,493	10,677	5,750
NON-CURRENT LIABILITIES					
Deferred Tax	5	14,673,278	13,866,587	-	-
TOTAL NON-CURRENT LIABILITIES		14,673,278	13,866,587	-	-
TOTAL LIABILITIES		18,175,742	16,883,080	10,677	5,750
EQUITY					
Trust Equity	14	14,500,100	14,500,100	14,500,100	14,500,100
Retained Earnings	15	79,480,651	76,754,976	905,265	960,589
TOTAL EQUITY		93,980,751	91,255,076	15,405,365	15,460,689
TOTAL LIABILITIES AND EQUITY		112,156,493	108,138,156	15,416,042	15,466,439

These financial statements should be read in conjunction with the attached notes.

On behalf of the Trust



Chairman



Trustee, A J Brady

Statements of Cash Flows

for the year ended 31 March 2019

		GROUP		TRUST	
	Notes	2019 \$	2018 \$	2019 \$	2018 \$
CASH FLOWS FROM OPERATING ACTIVITIES					
<i>Cash was Provided from:</i>					
Receipts from Customers		20,918,172	22,568,961	-	-
Interest Received		254,493	283,149	75,897	74,382
		<u>21,172,665</u>	<u>22,852,110</u>	<u>75,897</u>	<u>74,382</u>
<i>Cash was Disbursed to:</i>					
Payments to Suppliers and Employees		(13,441,747)	(12,949,220)	(127,146)	(137,185)
Income Tax (Paid)/Received		(180,259)	(218,818)	4,896	(1,017)
Net GST (Paid)/Received		50,557	(11,754)	3,782	(2,079)
		<u>(13,571,449)</u>	<u>(13,179,792)</u>	<u>(118,468)</u>	<u>(140,281)</u>
NET CASH FROM OPERATING ACTIVITIES	16	<u>7,601,216</u>	<u>9,672,318</u>	<u>(42,571)</u>	<u>(65,899)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
<i>Cash was Provided from:</i>					
Transfer from Term Deposits		920,000	-	70,000	-
Dividend		-	-	-	100,000
Proceeds from sale of Assets		-	-	-	-
		<u>920,000</u>	<u>-</u>	<u>70,000</u>	<u>100,000</u>
<i>Cash was Applied to:</i>					
Transfer to Term Deposits		-	(87,000)	-	(37,000)
Purchase of Property, Plant and Equipment		(8,970,376)	(8,917,273)	-	-
		<u>(8,970,376)</u>	<u>(9,004,273)</u>	<u>-</u>	<u>(37,000)</u>
NET CASH FROM INVESTING ACTIVITIES		<u>(8,050,376)</u>	<u>(9,004,273)</u>	<u>70,000</u>	<u>63,000</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS HELD					
		<u>(449,160)</u>	<u>668,045</u>	<u>27,429</u>	<u>(2,899)</u>
Cash and Cash Equivalents at Beginning of the Year		1,410,743	742,698	4,357	7,256
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		<u>961,583</u>	<u>1,410,743</u>	<u>31,786</u>	<u>4,357</u>

These financial statements should be read in conjunction with the attached notes.

Notes to the Financial Statements

1 SIGNIFICANT ACCOUNTING POLICIES

ENTITY REPORTING

Waitaki Power Trust (the Trust), and its subsidiaries (together the Group) is the owner of an electricity distribution network in North Otago. The Group also undertakes contracting services. The Group's registered office is at 10 Chelmer Street, Oamaru, New Zealand.

The principal function of the Waitaki Power Trust is to hold the shares of Network Waitaki Limited for the benefit of the consumers of Network Waitaki Limited.

GENERAL INFORMATION

The Financial Statements for the 'Trust' are for the Waitaki Power Trust as a separate legal entity.

The financial statements for the Group are for the economic entity comprising Waitaki Power Trust and its subsidiaries.

These financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), as appropriate for profit-orientated entities. The Trust is eligible and has elected to report in accordance with Tier 2 for profit accounting standards NZ IFRS Reduced Disclosure Regime (NZ IFRS RDR) on the basis that the Trust has no public accountability and is not a large for profit public sector entity.

In adopting NZ IFRS RDR, the Trust has taken a number of disclosure concessions.

DATE OF ISSUE FOR THE FINANCIAL STATEMENTS

These financial statements have been approved for issue by the Trustees on 5 July 2019.

PROFIT ORIENTED ENTITY

Waitaki Power Trust is a profit-oriented entity for the purpose of complying with NZ IFRS RDR.

STATUTORY BASE

Waitaki Power Trust's subsidiary, Network Waitaki Limited, is:

- a New Zealand-registered company under the Companies Act 1993;
- an energy company as defined in the Energy Companies Act 1992.

The financial statements have been prepared in accordance with the requirements of Clause 12.5 of the Trust Deed, the Companies Act 1993 and the Energy Companies Act 1992.

FUNCTIONAL AND PRESENTATION CURRENCY

The Group's financial statements are presented in whole New Zealand Dollars, rounded to the nearest dollar, which is the Group's functional and presentation currency.

MEASUREMENT BASE

The financial statements have been prepared on the historical cost basis and its modification by the revaluation of certain assets, as identified in specific accounting policies below.

Accounting policies adopted and applied ensure that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING THE ENTITY'S ACCOUNTING POLICIES

The preparation of financial statements in conformity with NZ IFRS RDR requires management to make certain critical accounting estimates and judgments that affect the application of policies and the reported amount of assets, liabilities, income and expenses. The estimates and associated assumptions have been based on historical experience and other factors that are believed to be reasonable under the circumstances.

These estimates and judgments form the basis for making judgments about the carrying values of assets and liabilities, where these are not readily apparent from other sources. Actual results may differ from these estimates.

Notes to the Financial Statements (continued)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING THE ENTITY'S ACCOUNTING POLICIES (CONTINUED)

Estimates and underlying judgments are regularly reviewed. Any changes to estimates are recognised in the period if the change affects that period, or in future periods if it also affects future periods.

In the process of applying the Group's accounting policies, management has made the following estimates and judgments that have had the most significant impact on the amounts recognised in these financial statements.

Network reticulation assets

Network reticulation assets' depreciation rates reflect the depreciation rates in the ODV handbook issued by the Commerce Commission in 2004. These rates are considered a reasonable estimate of useful lives.

Easements

Easements are recorded at cost.

GOODS AND SERVICES TAX (GST)

The Waitaki Power Trust was registered for GST effective 1 April 2018. Waitaki Power Trust's financial statements were previously prepared inclusive of GST. The Group's Statements of Comprehensive Income and Statements of Cash Flows were previously prepared so that Parent components were stated inclusive of GST and Subsidiaries components stated exclusive of GST.

All items in the Statements of Financial Position are stated net of GST, with the exception of receivables and payables, which include GST invoiced.

REVENUE RECOGNITION

Investment Income

- Interest is recognised using the effective interest method.
- Dividends are recognised when the right to receive payment is established.
- Rental income is recognised on an accrual basis, in accordance with the substance of the relevant agreements.

Lease Income

Revenue from operating leases is recognised on a straight-line basis over the period between rental reviews.

Network Lines Revenue

The Company provides network lines services to customers allowing connection to the wider distribution network. Such services are recognised as series of distinct goods or services and is one performance obligation satisfied over time as the customer simultaneously receive and consume the benefits of the service. Revenue is recognised as the service is being provided using an output method based on the actual delivery services provided on a daily basis.

Pricing is determined annually and retailers are charged based on a published price schedule and quantities delivered. Pricing includes a transmission and distribution charge relating to the operation of the network. Payment is due in respect of the network line service in the month following the service being provided. A receivable is recognised by the Company reflecting the amount owing for services provided.

As the delivery services are a promise to transfer a series of distinct services that are substantially the same, revenue is recognised based on a measure of progress for the single performance obligation that best depicts the transfer of services to the customer. It is therefore appropriate for revenue to be recognised in line with billing, as this best reflects the transfer of value to the customer. Revenue will be recognised over time.

Capital Contributions Revenue

The Company provides electrical connection services to customers to support and provide a connection to the wider distribution network. Such contracts are not considered to have an enforceable right to payment for the performance obligation until the connection is complete. This single performance obligation is satisfied at a point in time when the electrical connection work is complete.

Pricing is determined with reference to the time and material associated with a specific contract for electrical work is based on the level of activity required to enable a connection. Payment is generally based on 50%

Notes to the Financial Statements (continued)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REVENUE (CONTINUED)

deposit and the remainder due at the completion of the connection. A contract asset is recognised by the Company reflecting the amount owing for services provided.

As a practical expedient in line with NZ IFRS 15.63, Network Waitaki has not adjusted the promised amount of consideration for any deposit received in respect of electrical contract works for a significant component. This is due to the period between the Network Waitaki transfers the electrical work to the customer and when the customer pays for the electrical work being less than one year.

Contracting Revenue

The Company provides contracting services to customers to provide labour to other electricity distribution businesses. Such contracts are not considered to have an enforceable right to payment for the performance obligation until the contracted work is complete. This single performance obligation is satisfied at a point in time when the contracted work is complete.

Pricing is determined with reference to the time and material associated with a specific job. Payment is due in respect of contracting services in the month following the service being provided. A receivable is recognised by the Company reflecting the amount owing for services provided.

Metering Revenue

Revenue received from the rental of meters is recognised in accordance with the relevant agreements.

INCOME TAX

Income tax expense in relation to the profit or loss for the period comprises current tax and deferred tax.

Current tax is the amount of income tax payable on the taxable profit from the current year, plus any adjustments to income tax payable in respect of the prior year. Current tax is calculated using rates that have been enacted or substantially enacted by balance date.

Deferred tax is the amount of income tax payable or receivable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on the temporary difference arising on investments in associates, except where the timing of the reversal of the temporary difference is controlled by Network Waitaki Limited and it is probable that the temporary difference will not reverse in the foreseeable future.

CAPITAL AND OPERATING EXPENDITURE

Capital expenditure relates to expenditure incurred in the creation of a new asset and expenditure incurred on existing reticulation system assets to the extent the system is enhanced.

Operating expenditure is that expenditure incurred in maintaining and operating the property, plant and equipment and investment properties of the Group.

DIVIDENDS

Provision is made for the amount of any dividend declared on or before the end of the financial year but not distributed at balance date.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

CURRENT INVESTMENTS

Current investments comprise cash deposits held with financial institutions with a maturity greater than three months and less than twelve months.

Notes to the Financial Statements (continued)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

WORK IN PROGRESS

Work in progress is stated as actual direct costs incurred, less non-recoverable amounts.

CAPITAL RISK MANAGEMENT

The Group's objective when managing capital, which comprises share capital plus retained earnings, is to safeguard the ability to continue as a going concern and to provide acceptable returns to shareholders.

The Group is not subject to any externally imposed capital requirements.

In order to maintain or adjust the capital structure, the Group may adjust the amount of discount paid to consumers.

TRADE RECEIVABLES

Trade receivables are amounts due from customers for goods or services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Details about the group's impairment policies and the calculation of the loss allowance are provided in the financial asset policy.

PROPERTY, PLANT AND EQUIPMENT

Property, Plant and Equipment comprising mainly buildings, land, meters and relays and office equipment purchased prior to the adoption of NZ IFRS, 1 April 2006, are shown at 'deemed cost' less subsequent depreciation and impairment write-down. Land purchased prior to 1 April 2006 is shown at deemed cost.

Property, Plant and Equipment acquired subsequent to the adoption of 'deemed cost', after 1 April 2006, is recorded at the value of the consideration given to acquire the assets, plus the value of other directly attributable costs which have been incurred in bringing the assets to the location and condition necessary for their intended service, less subsequent depreciation and impairment write-down.

Network Reticulation Assets comprise mainly Low Voltage, 11kVA, 33kVA and LV conductor and associated transformers and substations. Reticulation assets are shown at deemed cost less subsequent depreciation and impairment write-down.

Network Reticulation Assets acquired subsequent to the adoption of 'deemed cost' are recorded at the value of the consideration given to acquire the assets and the value of other directly attributable costs which have been incurred in bringing the assets to the location and condition necessary for their intended service, less subsequent depreciation and impairment write-down.

Capital Contributions are amortised over 10 years.

Easements Assets sited on easements will normally be renewed at the end of their economic life in the same location in which they are currently housed. On this basis, the easement itself has an indefinite life. Annually, easements are tested for signs of impairment.

Contracting Equipment comprises mainly plant and equipment used in the construction and repair of network reticulation systems. Items are recorded at the value of the consideration given to acquire the assets and the value of directly-attributable costs which have been incurred in bringing the assets to the location and condition necessary for their intended service less subsequent depreciation and impairment write-down.

Depreciation of Property, Plant and Equipment Depreciation is provided on all property, plant and equipment, other than freehold land, at rates that will allocate the assets' cost or valuation, to their residual values, over their estimated lives. All network reticulation system assets and contracting equipment are depreciated on a straight-line basis; all other assets are depreciated using both straight line and diminishing value.

Notes to the Financial Statements (continued)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Depreciation of Property, Plant and Equipment (CONTINUED)

The following depreciation rates have been used:

Item	Depreciation rate
Network Reticulation System	1.0% to 10.0%
Fibre Network	7.0%
Buildings	1.25% to 13.5%
Meters and Relays	14.29% to 20.0%
Plant and Equipment	5.0% to 67.0%

Gains and losses on disposal of property, plant and equipment are taken into account in determining the operating result for the year.

INTANGIBLE ASSETS

Intangible assets consist solely of computer software which is recorded at the value of the consideration given to acquire the assets plus the value of other directly attributable costs which have been incurred in bringing the assets to the location and condition necessary for their intended service.

Amortisation of intangible assets is provided for at rates that will allocate the assets' cost or valuation, to their residual values, over their estimated lives. All intangible assets are amortised on a straight line basis.

Intangible assets are carried at cost less accumulated amortisation.

The following amortisation rates have been used

Item	Amortisation rate
Computer Software	15% to 40%

IMPAIRMENT

Assets that have an indefinite useful life, for example easements, are not subject to depreciation and are tested annually for impairment. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that have suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

INVENTORIES AND WORK IN PROGRESS

Inventories are valued at the lower of cost and net realisable value, with additional allowance for obsolescence where necessary. The cost of finished goods comprises direct materials and, where applicable, direct labour and other direct variable costs incurred in order to bring inventories to their present location and condition. Costs are assigned to individual items of inventory on a weighted average cost basis.

BORROWING COST

Borrowings are initially measured at fair value plus transaction costs.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Statement of Comprehensive Income over the period of the borrowings, using the effective interest method.

Notes to the Financial Statements (continued)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BORROWINGS

Borrowings are initially measured at fair value plus transaction costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Statements of Comprehensive Income over the period of the borrowings, using the effective interest method.

FINANCIAL ASSETS

Classification

The only financial instruments that the Group has are loans, receivables and available for sale investment in subsidiary.

Amortised Cost

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Recognition and Measurement

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial asset. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Impairment of Financial Assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVOCI, trade receivables and other receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables and other receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as forecast direction of conditions at the reporting date, including time value of money where appropriate.

The Group writes off a financial asset where there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings or in the case of trade receivables when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries are recognised in the statement of comprehensive income.

FINANCIAL RISK MANAGEMENT

Risk management is carried out by management under policies approved by the Board of Directors. Management identifies and evaluates relevant financial risks and acts to manage these risks, where possible, within the parameters set out by the Board of Directors. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk and credit risk.

Market risk

(i) Foreign exchange risk

The Group's revenue is entirely denominated in New Zealand dollars and it has limited currency exposure in the foreseeable future. The Group may from time to time purchase assets denominated in foreign currency. Board approval is required for foreign currency-denominated contracts valued above a specified threshold, together with a recommendation on the manner in which the foreign currency exposure is to be managed, which may include the use of foreign exchange contracts.

Notes to the Financial Statements (continued)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED) FINANCIAL RISK MANAGEMENT (CONTINUED)

(ii) Cash flow and fair value interest rate risk

The Group has no interest rate risk arising from long term borrowings. Board approval is required for borrowings, together with a recommendation on the manner in which the interest rate risk is to be managed.

Credit risk for the subsidiary

Credit risk is managed by the Group under policy approved by the board. Credit risk arises from cash and cash equivalents and deposits with banks, as well as credit exposure to customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independent parties with a minimum Standard and Poors rating of BBB for long term investments and A-2 for short term investment, or financial institutions that provide well-supported first ranking security are acceptable. Investments with banks and financial institutions are limited to a term of no more than 24 months and no more than \$3.0 million or 25% of cash, current investments and cash equivalents, whichever is the greater in any one institution. Credit risk associated with trade receivables is limited through retailer invoicing for line and metering charges rather than individual consumer invoicing for line and metering charges. Credit risk is also limited in trade receivables by the requirement of a 50% deposit of the total cost of new connections before work is started.

Credit risk for the Trust

For banks, only the ANZ Banking Group (New Zealand) Limited, Bank of New Zealand, National Australia Bank (NZ) Limited, The National Bank of New Zealand Limited, Westpac Banking Corporation, any member of Trust Bank group or any other bank listed in the register of registered banks referred to in Section 69 of the Reserve Bank of New Zealand Act 1989 are acceptable.

For other investments, only the shares or other equity securities or debt securities of Network Waitaki Limited or its successor company, or the stock, funds or other securities of the New Zealand Government are acceptable.

Liquidity risk

Liquidity risk management has the objective of maintaining sufficient cash and the availability of funding through an adequate amount of credit facilities to meet the short and long-term commitments of the Group as they arise in an orderly manner. Management monitors rolling forecasts of the Group's liquidity requirements on the basis of expected cash flow. The Board of Directors approves all new borrowing facilities for Network Waitaki Limited. Trustee approval is required for all new borrowing related to the Parent.

Surplus cash held by the operating entities over and above the balance required for working capital management is invested in interest-bearing call accounts and term deposits.

Note 19 analyses the Group's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period, at the statements of financial position date to the contractual maturity date. Derivative financial liabilities are included in the analyses if their contractual maturities are essential for an understanding of timing of cash flows. The amounts disclosed in the table are contractual undiscounted cash flows.

Fair value estimation

The fair value of financial assets and liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value for any financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date.

FOREIGN CURRENCY TRANSACTIONS

Transactions denominated in foreign currencies are translated into the reporting currency using the exchange rate in effect at the transaction date. Foreign currency monetary items at balance date are translated at the exchange rate in effect at the balance date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates ruling at the date when the fair value is determined.

Exchange differences on foreign currency balances are recognised in the Statements of Comprehensive Income in the period that they occur.

Notes to the Financial Statements (continued)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

TRADE AND OTHER PAYABLES

Trade and Other Payables are recognised when the Group becomes obliged to make future payments resulting from the purchase of goods and services. Trade and other payables are recognised at fair value.

PROVISIONS

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

EMPLOYEE ENTITLEMENTS

Wages, salaries and annual leave

Employee entitlements to salaries, wages and annual leave are recognised when they accrue to employees.

Sick and special leave

Employee entitlements to sick and special leave are recognised when taken by employees. A provision is made for the additional amount that the Group expects to pay as a result of unused sick or special leave that has accumulated at balance date.

Long service leave

Long service leave is not recognised in the first 10 years of service. After 10 years of service, an allowance is made of 1/5 per year towards long service leave entitlement. This allowance is then discounted back to current value. Employees are entitled to long service leave after serving for 15 years.

SHARE CAPITAL FOR THE SUBSIDIARY

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

LEASES

Operating Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit and loss component of the statements of comprehensive income on a straight-line basis over the period of the lease.

Finance Leases

The Group is the lessor

Assets leased to third parties under operating leases are included in property, plant and equipment in the Statements of Financial Position. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental Income (net of incentives given to lessees) is recognised on a straight-line basis over the lease term.

The Group is the Lessee

Leases in which the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding.

The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the Statements of Comprehensive Income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The property, plant and equipment acquired under a finance lease is depreciated over the shorter of the asset's useful life and the lease term.

Notes to the Financial Statements (continued)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF CONSOLIDATION

The consolidated financial statements are prepared by combining the financial statements of the entities that comprise the consolidated entity, being the parent entity, and its subsidiaries as defined in NZ IAS 27 Consolidated and Separate Financial Statements. Reliance for the consolidated figures has been placed on Network Waitaki Limited's audited accounts.

Subsidiaries

Subsidiaries are all those entities over which the Group has control. The Trust is deemed to have control since they have the ability to appoint or remove members of the Board of Directors of these subsidiaries.

The Group financial statements incorporate the financial statements of the entities that comprise the consolidated group, being the Parent, Waitaki Power Trust and its subsidiary, Network Waitaki Limited. Consistent accounting policies are used in preparation and presentation of the consolidated financial statements.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair value at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after reassessment, the fair value of the identifiable net asset acquired exceeds the cost of acquisition, the deficiency is credited to profit or loss in the period of acquisition.

The consolidated financial statements include the information and results of each subsidiary from the date on which the company obtained control and until such time as the company ceases to control the subsidiary.

In preparing consolidated financial statements, all intercompany balances and transactions, and unrealised profits arising within the consolidated entity are eliminated in full.

CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

New and amended standards adopted by the Trust

Application of NZ IFRS 15 Revenue from Contracts with Customers

In the current year, the Company has adopted NZ IFRS 15 Revenue from Contracts with Customers effective from 1 April 2018, using the cumulative retrospective approach. The cumulative effect from adoption is recognised at the date of transition which is 1 April 2018.

The Company's accounting policies for its key revenue streams are disclosed below. The standard has also required more extensive disclosures on the Company's revenue transactions and related policies.

NZ IFRS 15 provides guiding principles on when, how and how much revenue to recognise in an entity's financial statements in any given reporting period. The standard and its subsequent amendment replace all existing NZ IFRS guidance for revenue recognition.

The Company recognises revenue from the following major sources;

- Network lines revenue
- Capital contribution revenue
- Contracting revenue

The application and adoption of NZ IFRS 15 to the Company's revenue streams has not impacted the timing of recognition associated with Network lines revenue, Capital contribution revenue or Contracting revenue.

On adoption of NZ IFRS 15, the Company has revised its accounting policies for revenue recognition, these are included in Significant Accounting Policies.

In line with the requirements of the standard with regards to the transition option adopted, the Company has not restated the comparable information presented, which continues to be reported under previous revenue standards, NZ IAS 11 and NZ IAS 18.

Application of NZ IFRS 9 Financial Instruments

In the current year, the Company has adopted NZ IFRS 9 Financial Instruments effective from 1 April 2018. As permitted by the transitional provisions of NZ IFRS 9, the Company elected not to restate comparative figures. Any adjustments at the date of transition were recognised in the opening retained earnings and reserves of the current period. There were no adjustments required. Additionally, the Company adopted consequential amendments to NZ IFRS 7 Financial Instruments; Disclosures that were applied to the disclosures for the year ended 31 March 2019.

Notes to the Financial Statements (continued)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

NZ IFRS 9 introduces new requirements for the classification and measurement of financial assets and financial liabilities, impairment of financial assets, and rules for hedge accounting. Details of these new requirements as well as their impact on the financial statements are described below.

(i) Classification and measurement of financial assets

Under NZ IFRS 9, all the financial assets are measured at amortised cost, fair value through profit or loss or fair value through OCI on the basis of the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

The Company's financial assets include cash and cash equivalents, term deposits, trade and other receivables and other debtors. These financial assets are continued to be measured at amortised cost as they meet the conditions under NZ IFRS 9.

(ii) Impairment of financial assets

The new impairment model requires the recognition of impairment provisions based on expected credit losses ('ECL'). It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under NZ IFRS 15, lease receivables, loan commitments and certain financial guarantee contracts.

The introduction of new impairment model has an impact on the Company's trade and other receivables. For trade and other receivables, the Company applies a simplified model of recognising lifetime expected credit losses as these items do not have a significant financing component. Based on the assessment undertaken, no material adjustment was required on transition.

(iii) Hedge accounting

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been replaced with the principle of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about the Company's risk management activities have also been introduced.

The application of the NZ IFRS 9 hedge accounting requirements has had no impact on the results and financial position of the Company for the current and/or prior years.

New Standards and interpretations not yet adopted

NZ IFRS 16: Leases

NZ IFRS 16, "Leases" replaces the current guidance in NZ IAS 17. Under NZ IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Under NZ IAS 17, a lessee was required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). NZ IFRS 16 now requires a lessee to recognise a lease liability reflecting future lease payments and a right-of-use asset for virtually all lease contracts. Included is an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees.

For lessors, the accounting for leases under NZ IFRS 16 is almost the same as NZ IAS 17. However, because the guidance on the definition of a lease has been updated (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard.

The standard is effective for accounting periods beginning on or after 1 January 2019. The company intends to adopt NZ IFRS 16 on its effective date. The standard will affect primarily the accounting for the company's operating leases. The company intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses). As at the reporting date, the company has non-cancellable operating lease commitments of

Notes to the Financial Statements (continued)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

\$3,150,517, see note 20.

The company expects to recognise right-of-use assets of \$2,578,831 on 1 April 2019 and lease liabilities of \$2,578,831.

The company expects that net profit before tax will decrease by approximately \$62,447 for 2020 as a result of adopting the new rules.

Operating cash flows will increase, and financing cash flows decrease by approximately \$319,694 as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

The company's activities as a lessor are operating leases and hence the company does not expect any significant impact on the financial statements.

Notes to the Financial Statements (continued)

	GROUP		TRUST	
	2019	2018	2019	2018
	\$	\$	\$	\$
2 OPERATING REVENUE				
<i>Operating Revenue Comprises:</i>				
Revenue recognised over time				
Network Lines Revenue	18,548,887	18,576,952	-	-
Revenue recognised at a point in time				
Capital Contributions	1,790,631	1,667,620	-	-
Administration levy	140,404		-	-
Contracting	1,019,096	1,807,793	-	-
Fault Recoveries	147,099		-	-
	3,097,230	3,475,413		
Other Revenue				
Metering	537,429	571,272	-	-
Bad Debts Recovered	461	3,109		
Fibre Rent Received	401,630	-		
Rent Received	16,554	12,600		
Loss Rental Rebate	245,500	400,301		
Other Income	57,726	573,753	-	-
	1,259,300	1,561,035		
	22,905,417	23,613,400	-	-

- (i) As at 31 March 2019, the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) is \$405,446, of which 100% will be recognised as revenue during the next reporting period.
- (ii) \$279,321 of revenue recognised in the reporting period was included in the contract liability balance at the beginning of the period.

3 OPERATING EXPENSES

Operating Expenses Comprise:

Operating Costs	4,141,842	4,329,048	50,271	59,773
Directors' Fees	227,045	215,207	-	-
Trustee Fees	75,483	71,439	75,483	71,439
Donations	116,745	110,595	-	-
Audit Fees - PWC	80,400	77,200	5,250	5,250
Other Regulatory Audits – PWC	35,040	53,789	-	-
Other Regulatory Audits –Other Firms	34,809	5,544	-	-
Rent	15,751	21,000	-	-
Bad Debts Written Off	25,581	918	-	-
	4,752,696	4,884,740	131,004	136,462

4 DEPRECIATION, AMORTISATION AND IMPAIRMENT

Depreciation and Amortisation Comprises:

Buildings	69,551	70,860	-	-
Network Reticulation System	2,989,035	2,870,595	-	-
Meters and Relays	20,346	59,298	-	-
Plant and Equipment	694,698	625,315	-	-
Fibre Network	182,308	182,308	-	-
Intangibles	193,718	179,002	-	-
Total Depreciation	4,149,656	3,987,378	-	-
Loss on Disposal of Property, Plant and Equipment	240,146	141,863		
Total Depreciation, Amortisation and Impairment	4,389,802	4,129,241		

Notes to the Financial Statements (continued)

	GROUP		TRUST	
	2019	2018	2019	2018
	\$	\$	\$	\$
5 TAXATION				
Tax Expense for Period Made up of				
Income Tax Expense	406,601	686,805	-	-
Deferred Taxation Expense	806,691	737,852	-	-
	1,213,292	1,424,657	-	-
Operating Surplus Before Income Tax	3,938,967	5,097,722	(55,324)	39,423
Prima Facie Taxation	1,100,145	1,457,334	(18,257)	13,010
<i>Movement in Income Tax Due to:-</i>				
Non Deferred Tax Differences	-	-	-	-
Non Assessable Income	-	-	-	-
Non Deductible Expenses	32,333	49,298	-	-
Prior Period Adjustment	62,557	(68,965)	-	-
Trust Loss not recognised	18,257	(13,010)	18,257	(13,010)
	113,147	(32,677)	18,257	(13,010)
Tax Expense	1,213,292	1,424,657	-	-
Deferred Tax Movements				
Capital Contributions	(94,053)	(109,747)	-	-
Prior Period Adjustments	(556,224)	66,919	-	-
Depreciation	(197,331)	(714,373)	-	-
Other	40,917	19,349	-	-
	(806,691)	(737,852)	-	-
Income Tax Expense	406,601	686,805	-	-

GROUP DEFERRED TAX

	Depreciation	Other	Total
Opening Balance as at 1 April 2017	11,582,327	1,546,408	13,128,735
Change in the year	714,373	23,479	737,852
Closing Balance as at 31 March 2018	12,296,700	1,569,887	13,866,587
Opening Balance as at 1 April 2018	12,296,700	1,569,887	13,866,587
Change in the year	197,331	609,360	806,691
Closing Balance as at 31 March 2019	12,494,031	2,179,247	14,673,278

Waitaki Power Trust tax loss carried forward for 2019 is \$948,992 (2018: \$893,668).

Notes to the Financial Statements (continued)

5 TAXATION (continued)

GROUP

Current and Non-Current Deferred Tax

	Depreciation \$	Other \$	Total \$
2018			
Current Deferred Tax	-	-	-
Non-Current Deferred Tax	12,296,700	1,569,887	13,866,587
Total Deferred tax	12,296,700	1,569,887	13,866,587
2019			
Current Deferred Tax	-	-	-
Non-Current Deferred Tax	12,494,031	2,179,247	14,673,278
Total Deferred tax	12,494,031	2,179,247	14,673,278

	GROUP		TRUST	
	2019	2018	2019	2018
	\$	\$	\$	\$
6 TRADE AND OTHER RECEIVABLES				
<i>The Balance Comprises:</i>				
Trade Receivables	2,413,063	2,058,364	-	-
Loss Allowance	(54,277)	(34,663)	-	-
Total Trade Receivables	2,358,786	2,023,701	-	-
Other Receivables	370,161	96,582	4,910	5,940
Prepayments	216,100	222,449	1,882	-
GST	2,464	69,212	2,464	6,246
Balance at End of Year	2,947,511	2,411,944	9,256	12,186
Less Non-Current Trade Receivables	-	-	-	-
Current Trade and Other Receivables	2,947,511	2,411,944	9,256	12,186
Trade and other receivables less than 90 days old	2,884,032	2,033,933	9,256	12,186
Trade and other receivables greater than 90 days old	63,479	378,011	-	-
	2,947,511	2,411,944	9,256	12,186

No Trade and Other Receivables are impaired in 2019 or 2018.

Notes to the Financial Statements (continued)

7 INVESTMENTS

SUBSIDIARIES

Subsidiary Entity	Interest Held	Date Started Trading	Balance Date	Principal Activity
Network Waitaki Limited	100%	27 September 1999	31 March	Ownership and operation of a network reticulation system

Waitaki Power Trust Investment in Network Waitaki Limited

	Shares at cost \$
Opening Balance as at 1 April 2017	14,000,000
Movement for the Year	-
Closing Balance as at 31 March 2018	<u>14,000,000</u>
Opening Balance as at 1 April 2018	14,000,000
Movement for the Year	-
Closing Balance as at 31 March 2019	<u>14,000,000</u>

8 ADVANCES TO SUBSIDIARIES

Waitaki Power Trust Advance to Network Waitaki Limited

	Loan \$
Opening Balance as at 1 April 2017	1,150,000
Movement for the Year	-
Closing Balance as at 31 March 2018	<u>1,150,000</u>
Opening Balance as at 1 April 2018	1,150,000
Movement for the Year	-
Closing Balance as at 31 March 2019	<u>1,150,000</u>

Notes to the Financial Statements (continued)

9 PROPERTY, PLANT AND EQUIPMENT

GROUP

	Network Reticulation System \$	Land and Buildings \$	Meters and Relays \$	Fibre Network \$	Plant and Equipment \$	Totals \$
Gross Carrying Amount						
At 1 April 2017	111,755,673	2,268,441	2,595,397	2,604,400	5,727,109	124,951,020
Additions	7,835,704	398,333	-	-	873,452	9,107,489
Disposals	(466,717)	(4,000)	-	-	2,740	(467,977)
At 31 March 2018	119,124,660	2,662,774	2,595,397	2,604,400	6,603,301	133,590,532
Additions	7,266,215	1,028,177	-	-	707,011	9,001,403
Disposals	(646,221)	-	-	-	(11,829)	(658,050)
At 31 March 2019	125,744,654	3,690,951	2,595,397	2,604,400	7,298,483	141,933,885
Accumulated Depreciation and Impairment						
At 1 April 2017	28,936,515	469,971	2,503,952	1,184,214	2,687,735	35,782,387
Charge for Year	2,870,595	70,860	59,298	182,308	625,315	3,808,376
Disposals	(193,856)	(563)	-	-	349	(194,070)
At 31 March 2018	31,613,254	540,268	2,563,250	1,366,522	3,313,399	39,396,693
Charge for Year	2,989,035	69,551	20,346	182,308	694,698	3,955,938
Disposals	(330,920)	-	-	-	(928)	(331,848)
At 31 March 2019	34,271,369	609,819	2,583,596	1,548,830	4,007,169	43,020,783
Net Book Values						
At 31 March 2018	87,511,406	2,122,506	32,147	1,237,878	3,289,902	94,193,839
Work in Progress	940,338	35,195	-	-	11,559	987,092
	88,451,744	2,157,701	32,147	1,237,878	3,301,461	95,180,931
Net Book Values						
At 31 March 2019	91,473,285	3,081,132	11,801	1,055,570	3,291,314	98,913,102
Work in Progress	895,247	90,174	-	-	7,067	992,488
	92,368,532	3,171,306	11,801	1,055,570	3,298,381	99,905,590

Notes to the Financial Statements (continued)

	GROUP		TRUST	
	2019	2018	2019	2018
	\$	\$	\$	\$
10 INTANGIBLE ASSETS				
Purchased Software				
Gross Carrying Amount				
Opening Balance	1,710,499	1,619,980	-	-
Additions	99,633	90,519	-	-
Disposals	-	-	-	-
Closing Balance	1,810,132	1,710,499	-	-
Accumulated Amortisation, and Impairment				
Opening Balance	1,113,215	934,213	-	-
Charge for the year	193,718	179,002	-	-
Disposals	-	-	-	-
Closing Balance	1,306,933	1,113,215	-	-
Net Book Value	503,199	597,284	-	-
Work in Progress	-	50,000	-	-
Closing Balance	503,199	647,284	-	-

11 INVENTORIES

	GROUP		TRUST	
	2019	2018	2019	2018
	\$	\$	\$	\$
Total Inventory	1,704,623	1,352,305	-	-

No inventory was written down or had a write down reversal.

No inventory is pledged as security for liabilities.

Notes to the Financial Statements (continued)

	GROUP		TRUST	
	2019	2018	2019	2018
	\$	\$	\$	\$
12 TRADE AND OTHER PAYABLES				
Trade Payables	1,607,927	1,603,473	-	-
Accruals	587,523	467,529	10,677	5,750
Contract Liability - Capital Contributions (note 12(a))	405,446	279,321	-	-
G.S.T Payable	29,493	-	-	-
Balance at End of Year	2,630,389	2,350,323	10,677	5,750

All trade and other payables have a maturity within one year.

Note 19 provide analysis of the non-derivative financial liabilities and net settled derivative financial liabilities into relevant maturity groups based on the remaining period from the date of the statement of financial position to the contractual date.

12 (a) Contract Liability - Capital Contributions

Opening Balance	279,321	226,587	-	-
Amount of transaction price received for unsatisfied performance obligations	2,057,160	1,720,354	-	-
Revenue recognised from performance obligations satisfied	(1,931,035)	(1,667,620)	-	-
Closing Balance	405,446	279,321	-	-

13 EMPLOYEE ENTITLEMENTS

Annual Leave Entitlements	616,142	551,853	-	-
Other Entitlements	118,963	114,317	-	-
Total	735,105	666,170	-	-

14 TRUST EQUITY

Fully Paid-up Trust Equity	14,500,100	14,500,100	14,500,100	14,500,100
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This is the Trust's Equity and not that of Network Waitaki Limited.

15 RETAINED EARNINGS

Balance at Beginning of Year	76,754,976	73,081,911	960,589	921,166
Net Surplus/(Deficit) for Year	2,725,675	3,673,065	(55,324)	39,423
Balance at End of Year	79,480,651	76,754,976	905,265	960,589

Notes to the Financial Statements (continued)

16 RECONCILIATION OF NET SURPLUS WITH CASH FLOWS FROM OPERATING ACTIVITIES

	GROUP		TRUST	
	2019	2018	2019	2018
	\$	\$	\$	\$
Net Profit/(loss) for the Year	2,725,675	3,673,065	(55,324)	39,423
Add/(Less) Non-Cash Items:				
Depreciation and Amortisation	4,389,802	4,129,241	-	-
Deferred Taxation	806,691	737,852	-	-
	<u>5,196,493</u>	<u>4,867,093</u>	<u>-</u>	<u>-</u>
Add/(Less) Investing or Financing Items:				
Dividends Received	-	-	-	(100,000)
Loss/(Gain) on Disposal of Property	-	-	-	-
Loss/(Gain) on Disposal of Subsidiary	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>(100,000)</u>
Add/(less) Movements in Working Capital Items:				
(Increase) / Decrease in Trade and Other Receivables	(535,567)	586,640	2,930	(4,395)
(Increase) / Decrease in Inventories	(352,319)	(60,237)	-	-
(Increase) / Decrease in Work in Progress	(8,409)	(16)	-	-
Increase / (Decrease) in Tax Payable	226,342	467,987	4,896	(1,017)
Increase / (Decrease) in Trade and Other Payables	280,066	134,880	4,927	90
Increase / (Decrease) in Employee Entitlements	68,935	2,906	-	-
	<u>(320,952)</u>	<u>1,132,160</u>	<u>12,753</u>	<u>(5,322)</u>
Net Cash Flows From Operating Activities:	<u>7,601,216</u>	<u>9,672,318</u>	<u>(42,571)</u>	<u>(65,899)</u>

17 CAPITAL COMMITMENTS

Network Assets	394,000	1,361,000	-	-
Non-Network Assets	151,000	715,000	-	-
Total	<u>545,000</u>	<u>2,076,000</u>	<u>-</u>	<u>-</u>

18 CONTINGENCIES

The Group and Parent have no contingent liabilities or contingent assets as at 31 March 2019 (2018: Nil).

Notes to the Financial Statements (continued)

19 ANALYSES OF FINANCIAL LIABILITIES

GROUP

31 March 2018	Less than 1 Year	Between 1 and 2 Years	Between 2 and 5 Years	Over 5 Years
Trade and Other Payables	2,350,323	-	-	-
Employee Entitlements	666,170	-	-	-
TOTAL	3,016,493	-	-	-

31 March 2019	Less than 1 Year	Between 1 and 2 Years	Between 2 and 5 Years	Over 5 Years
Trade and Other Payables	2,630,389	-	-	-
Employee Entitlements	735,105	-	-	-
TOTAL	3,365,494	-	-	-

TRUST

31 March 2018	Less than 1 Year	Between 1 and 2 Years	Between 2 and 5 Years	Over 5 Years
Trade and Other Payables	5,750	-	-	-

31 March 2019	Less than 1 Year	Between 1 and 2 Years	Between 2 and 5 Years	Over 5 Years
Trade and Other Payables	10,677	-	-	-

20 OPERATING LEASES

	GROUP		TRUST	
	2019 \$	2018 \$	2019 \$	2018 \$
LESSORS – OPERATING LEASES				
No later than one year	434,502	405,228	-	-
Later than one year and no later than five years	1,641,216	1,595,660	-	-
Later than five years	4,721,841	5,032,445	-	-
	6,797,559	7,033,333	-	-

Network Waitaki leases out the fibre network it purchased in 2011. Its cost and accumulated depreciation values are shown in Note 9.

LESSEES – OPERATING LEASES

The future minimum lease payments under non-cancellable operating leases are as follows:

No later than one year	465,727	514,130	-	-
Later than one year and no later than five years	1,827,591	2,048,045	-	-
Later than five years	857,199	1,421,141	-	-
	3,150,517	3,983,316	-	-

Notes to the Financial Statements (continued)

21 RELATED PARTY TRANSACTIONS	2019 \$	2018 \$
Payments from Network Waitaki Limited to Clements Electrical Limited		
Clements Electrical Limited is related to Network Waitaki Limited through John Clements being a trustee of the Waitaki Power Trust and being a director and shareholder of Clements Electrical Limited.		
Contracting Services	50,185	59,406
Payments Outstanding Balance at Balance Date		
Trade Payables	22,902	7,245
Payments from Clements Electrical Limited to Network Waitaki Limited		
Clements Electrical Limited is related to Network Waitaki Limited through John Clements being a trustee of the Waitaki Power Trust and being a director and shareholder of Clements Electrical Limited.		
Contracting Services	24,366	54,785
Lease of land and buildings at Otematata	7,245	14,490
Payments Outstanding Balance at Balance Date		
Trade Receivables	-	3,021
Payments from Kurow-Dunroon Irrigation Company Limited to Network Waitaki Limited		
Kurow-Dunroon Irrigation Company Limited is related to Network Waitaki Limited through John Clements being a trustee of the Waitaki Power Trust and being a director of Kurow-Dunroon Irrigation Company Limited.		
Contracting Services	91,590	-
Payments from Network Waitaki Limited to A.J. Wood Chartered Accountants Ltd		
A.J. Wood Chartered Accountants Ltd is related to Network Waitaki Limited through its director, Mr AJ Wood, who is a shareholder and director of A.J. Wood Chartered Accountants Ltd.		
Directors Fees	33,951	32,781
Payments from Network Waitaki Limited to Original Performance Solutions Limited		
Original Performance Solutions Limited is related to Network Waitaki Limited through its director, Mr C Bailey, who is a shareholder and director of Original Performance Solutions Limited.		
Directors Fees	33,951	22,333
Payments from Waitaki Power Trust to Network Waitaki Limited		
Loan		
Loan outstanding at balance date	1,150,000	1,150,000
The loan is interest only, with no maturity date; however, the Waitaki Power Trust has given an undertaking to give Network Waitaki Ltd a minimum of 12 months' notice of the requirement to make any repayment of the advance outstanding or part thereof. Interest payable from the Borrower to the Lender on the balance of the loan outstanding is calculated at an interest rate equivalent to the prescribed rate for Fringe Benefit Tax.		
Payments from Network Waitaki Limited to Waitaki Power Trust		
Interest	66,355	66,355
Payments from Network Waitaki Limited to key management personnel		
Payments to key management personnel are made in accordance with agreements.		
Remuneration	1,568,097	1,140,619



Independent auditor's report

To the Trustees of Waitaki Power Trust

We have audited the financial statements which comprise:

- the statements of financial position as at 31 March 2019;
- the statements of comprehensive income for the year then ended;
- the statements of changes in equity for the year then ended;
- the statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the financial statements of Waitaki Power Trust (the Trust), including its subsidiary (the Group), present fairly, in all material respects, the financial position of the Group and Trust as at 31 March 2019, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime (NZ IFRS RDR).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Trust and Group in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm carries out other services for the Group in the areas of compliance with the Electricity Distribution (Information Disclosure) Requirements 2012. The provision of these other services has not impaired our independence as auditor of the Group.

Information other than the financial statements and auditor's report

The Trustees are responsible for the annual report. Our opinion on the financial statements does not cover the other information included in the annual report and we do not express any form of assurance conclusion on the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

PricewaterhouseCoopers

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T: +64 3 470 3600, F: +64 3 470 3601, pwc.co.nz



Responsibilities of the Trustees for the financial statements

The Trustees are responsible, on behalf of the Trust, for the preparation and fair presentation of the financial statements in accordance with NZ IFRS RDR, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustees are responsible for assessing the Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intend to liquidate the Trust or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board's website at:

<https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-7/>

This description forms part of our auditor's report.

Who we report to

This report is made solely to the Trustees. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trust and the Trustees for our audit work, for this report or for the opinions we have formed.

The engagement partner on the audit resulting in this independent auditor's report is Nathan Wylie.

For and on behalf of:

Chartered Accountants
5 July 2019

Dunedin

PwC