



WAITAKI POWER TRUST

ANNUAL REPORT

For the year ended 31 March 2018



2018 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

Trustees of Waitaki Power Trust appreciate the opportunity to share with Network Waitaki's consumers, their account of Trust activity during the 2018 financial year.

The 2018 financial year, in particular, has seen significant activity that has been due in part to the potential impact of proposals following from a report commissioned by government and the uptake of these, by the Electricity Authority, a statutory body which puts in place rules that determine what electricity lines companies can and can't do and how they are to operate. More on those issues later.

Trustee/Shareholder Responsibilities

Trustees elected by Network Waitaki's (NWL) consumers wear two hats.

As Trustees their role includes:

- upholding the terms and conditions of the Waitaki Power Trust Deed, and in particular, ensuring that the benefits of consumer trust ownership of NWL are returned each year to consumer beneficiaries;
- not breaching Trust Act legislation, a fundamental requirement of which is never to act from self-interest;
- encouraging and helping to ensure that NWL is a successful business; and
- advocating on the best interest of the Trust's beneficiaries on proposed changes to government legislation and/or regulations which Trustees consider, would adversely affect consumers.

Trustees are also the shareholders of NWL. Each Trustee holds 20% of NWL shares, in trust, in their own name.

As shareholders, their responsibilities include:

- appointing directors to the NWL Board;
- monitoring the performance of the Company;
- commenting each year on NWL's Statement of Corporate Intent which is in effect the Company's annual plan; and
- encouraging and helping to ensure NWL is a successful business.

Returning the benefits of Trust ownership of NWL to consumers

An Annual Discount

Network Waitaki Limited continues to be a 'summer peaking' network due to the large amount of electricity needed to service the continually increasing number of dairy sheds and irrigation systems in our rural area. That situation has two consequences for the consumer discount.

Firstly, providing the electricity required to service dairy shed and irrigation developments has required investment in upgrade work, with associated costs. Secondly, the variable charge component of NWL's line tariff attached to the cost of a unit of electricity contributes significantly to NWL's revenue.

For the 2018 financial year the balance between investment in capital work across the entire network (not only in the rural area), and retained earnings for planned work in the 2019 year has resulted in a discount pool of \$1.6 million (excluding GST) being returned to consumers. That figure compares with a discount pool of \$1.7 million (excluding GST) for the previous financial year.

Additionally, NWL consumers also received further benefits of trust ownership of NWL through reliable and timely service, plus low lines tariffs, which remain in the bottom 25% of charges across New Zealand's twenty-eight electricity distribution networks.

The Waitaki Power Trust Deed

We reported last year that Trustees had commenced a review of the Deed. Some progress was made but to facilitate a more efficient and robust process the task was ultimately delegated to Trustees Tony Brady and Helen Brookes, who formed a review sub-committee.

Subsequently, amendments proposed by the sub-committee were considered at a Trust meeting, commented on and either agreed or further amended.

By the end of the current financial year, proposed amendments were ready to be forwarded to the Trust's legal advisors for comment and approval, a step which is necessary before the document can be forwarded to the

Directors for their approval. Following Director approval, the amendments will be made publicly available through a Public Consultative Procedure, for consumers to comment on and vote on the changes Trustees consider need to be made.

Amending the Waitaki Power Trust Deed has been a long drawn out process. Unfortunately it is still a matter of 'watch this space'.

The Trustee Act 1956

The Trustee Act 1956 is noteworthy more for what it does not say, than for what it does say!

For example, there is no clear statement of trustee responsibilities for those who occupy a trustee role associated with an energy or power trust! Precedent setting cases have been resolved by the High Court to spell out the detail of much of what the Trustee Act 1956 does not say.

One point however, can be taken from the 1956 Act and its subsequent clarification by the High Court. It relates to self-interest as the cause of conflict of interest, which undermines and is contrary to a trustee's fiduciary duty, to always act in the best interests of trust beneficiaries.

At the start of every Waitaki Power Trust meeting now, Trustees are asked whether anyone has a conflict of interest with respect to any item on the meeting agenda.

Not surprisingly, since 2009 New Zealand's Law Commission, aided by Inland Revenue which collects information relating to Trusts, by way of tax returns, has been working on reviewing Trust law.

The outcome, Government's Trust Bill was released last year. Clearly matters relating to legal issues really do take time. Hence, Trustees are watching this space, as well.

Advocating on behalf of Network Waitaki Consumers

The fact that the International Energy Agency released a document commissioned by the previous Government in 2017, was mentioned at the Trust's 2017 Annual Meeting entitled 'Energy Policies of IEA Countries – New Zealand Review'.

Two main arguments in that document stood out. The first was that small consumer trust owned electricity distribution networks were considered to be inefficient and poorly run because trustee/shareholders made poor decisions when appointing directors and lack of size resulted in failure to benefit from economy of scale.

The second argument elaborated on the contention that New Zealand's electricity consumers would receive the greatest benefit from new technology if all lines companies in our country became platform service providers, only.

To take on that role, an electricity distribution company would be required to transfer the ownership, governance management and operational control of all other aspects of their business to an unrelated third party organisation so that the only asset the lines network company would be left with would be the actual electricity distribution network.

It goes without saying that your Trustees did not buy into either argument.

However, the Electricity Authority (EA), a statutory body tasked with promoting competition across New Zealand's energy sector, was prepared to overlook the obvious point that IEA's arguments were based on innuendo rather than evidence. Instead the EA released a consultation document that built on the International Energy Agency's 'platform services provider' argument.

Waitaki Power Trust's response was to discuss Trustees' concerns with the eleven other 100% consumer trust owners of electricity distribution businesses New Zealand wide, before taking the agreed concerns to the Executive of Energy Trusts of New Zealand.

Waitaki Power Trust did not submit on the Electricity Authority's so-called Mass Participation Submission document.

Rather, to ensure everyone was up to speed, detailed concerns were put together in a document which was handed out to all attendees at the Energy Trusts of New Zealand Spring Conference at Westport in November last year. An edited version was also prepared and delivered as a presentation to the Conference by Trustee, Helen Brookes.

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

The Waitaki Power Trust Deed requires Trustees as sole shareholders of NWL to monitor the performance of the company annually by comparing work plans and their associated budget as set out in the Statement of Corporate Intent (SCI) against the work actually completed and its associated costs as detailed at the end of each financial year, in the Company's Annual Report.

The SCI is a document that the Energy Companies Act requires NWL to provide us with each year, which is essentially their financial predictions for the next three years. We are required to comment on it and if we wish, to suggest any modifications.

The NWL Annual Accounts provides a report on the comparison of actual figures as compared to those in the SCI. This year was one of significant capital development, as was the case in the 2017 year. The total actual capital development was \$166,389 more than the SCI figure provided for. The other element of the capital development is the basis of funding, that is depreciation, capital contributions, 2017 retained earnings and past years retained earnings. The key factor is the use of past years retained earnings and in this year none of the prior year's earnings were used, in fact the amount from the other three sources exceeded the amount spent by \$423,014.

The other element of the SCI that is very relevant to us as shareholders are the Financial and Non-financial Reporting measures. In regard to the Financial measures (A – NPBT to shareholders funds; B – Net assets per share; C – NPBT earnings per share in cents; D – Ratio of shareholders' funds to total assets; E – Rate of return after tax on shareholders' funds), the variance of the results with the SCI for A, B, D and E is less than 1% and for C it is 3.7%. All of which is very acceptable. In regards to the two Non-financial measures (A – the average duration of any disruption of supply and B – the number of times this occurs), the position is that both measures fell within the SCI levels set by the SCI.

Network Waitaki Limited Accounts

The annual accounts show that the net profit for the year was \$3,733,642, as compared to the previous year of \$3,672,233. There were small changes in taxes, capital contributions and operating costs. But overall the net result was acceptable in comparison with the SCI.

The amount of capital expenditure during the year was \$9,107,489 and as set out above, it 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, the Management and Staff on the financial results.

Network Waitaki – Health and Safety

Employees' safety within the electrical industry is an extremely important factor to ensure the continuous operation of a reliable network.

Communication between management and workers with everyone taking ownership of their responsibilities may mean that present practical solutions to safety are continued and/or modified especially with the future introduction of new developments.

Providing feedback within the industry and having a consistent New Zealand wide approach would enable the sharing and development of methods and safe working practices. NWL is involved in that process.

Network Waitaki – Performance

This year Directors and Trustees have worked more closely together.

Compared with what other power companies have had to deal with when a storm comes their way, your Company can hold their heads high because outages have been very few. Your Company has a maintenance programme in place of not only replacing aging poles, but also have a plan for trying to stay on top of the never ending growth of trees. The testing of poles with the latest equipment available in New Zealand gives your Company a head start on other companies.

With arguments still going on about how to reduce Lost Time Minutes to Consumers (the SAIDI and CAIDI standard) Network Waitaki still comes out on top for lines companies in New Zealand. Now that glove and barrier work which enabled linesmen to work on live lines has been shelved to a certain degree, the Company is looking at putting in place a better system to reduce lengthy outages.

With more and more electricity being required because of irrigation, Network Waitaki has built more sub-stations. The foresight shown last year in building a 66kV line from Lake Waitaki to Duntroon has been a bonus as it

greatly helped shift electricity load.

Network Waitaki Limited - Director Appointments

The 2017 round of director appointments saw the process outlined in the Trust's Director Appointment Policy followed for the first time. The major change related not only to advertising for expressions of interest in becoming a director of NWL in locally available newspapers but also listing the advertisement on the Otago Institute of Directors' website.

That step resulted in a significantly greater number of applicants being received.

At the Annual General meeting of the Company in June 2017, Chris Dennison was re-appointed along with a new comer, Chris Bailey, who lives in Christchurch.

A Waitaki Power Trust Website

Battery storage, electric vehicles, solar generated power and wind generated power are all going to change the present landscape. These challenges are what excites us all – Trustees, consumers and those who are involved in the industry.

Mindful of present and future challenges, the Trust is developing a website to improve communication with consumers, other interested people, and our Energy Trust colleagues, and to encourage more feedback from consumers. We are anticipating that this will raise the Trust's profile as well.

Information sharing – Network Waitaki Limited and Trustees of Waitaki Power Trust

In June 2017, Clare Kearney, Chairman of Network Waitaki Limited since 2008 stood down and was replaced as Chairman by Chris Dennison.

The Chairman of the Trust and the Chairman of the Company agreed to continue to operate on the basis of 'no surprises', a policy which facilitates full and frank discussion.

Throughout the year, Trustees continued to receive unaudited quarterly reports relating to Network Waitaki performance. Discussion and more detailed briefings relating to those, by the Board Chairman and also the Chief Executive, are valuable as the information received not only assists Trustees to carry out their consumer representative role, but also assures Trustees that Network Waitaki continues to be a consumer focussed business.

It is also pleasing to be able to report that two Network Waitaki Directors, Chris Dennison and Chris Bailey joined Trustees in attending the 2017 ETNZ Conference at Westport in November last year.

That was not the first Trust conference Chris Dennison has attended which shows his genuine desire to understand the operation and performance of Network Waitaki Limited from the view point of trustee/shareholders who are required to uphold the best interests of consumers.

Network Waitaki Limited – Charging Stations and Electric Vehicles

Trustees have had a long standing interest in electric vehicles which are a key part of the technological revolution currently taking place.

So when the topic of electric vehicle charging stations was introduced by the Directors, Trustee support was unanimous. During the 2018 financial year NWL has installed four fast charging stations across its network, at Hampden, Oamaru, Kurow and Omarama. In addition, the Company is now the owner of an electric vehicle.

Acknowledgements

It is pleasing to reflect on the fact that each year your trustee/shareholders grow in their understanding of their role and responsibilities. Working through conflict of interest issues and proposing amendments to the Waitaki Power Trust Deed have helped greatly in that regard.

Trustees also acknowledge their appreciation of the willingness shown by the Board Chairman, Chris Dennison, and Chief Executive, Graham Clark, to update Trustees and take on board Trustees' comments relating to Company matters.

To our Secretary, Mrs Faye Ormandy, each Trustee says a heartfelt 'thank you'. You always have all the information available at a meeting that is required to facilitate discussion. Given today's level of paper war that is not easy to do. Neither is it easy at times, to minute discussion which occurs around the Trust table. None-

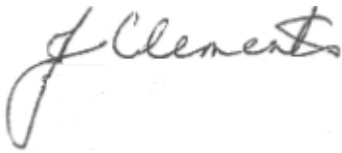
the-less Faye your written account of discussion and Trust meeting resolutions is always immaculate. Well done and thank you from us all.



.....
Trustee, H F Brookes



.....
Trustee, A J Brady



.....
Trustee, J Clements



.....
Trustee, H J Tonkin



.....
Trustee, J Webster

Trustees' Report

GENERAL DISCLOSURES

The Trustees present their Annual Report together with Audited Financial Statements for the year ended 31 March 2018.

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 profit after tax for the year was \$39,423 (loss for 2017 was \$64,766).

DONATIONS

No donations were made during the 2017 or 2018 years by the Trust, however donations were made by Network Waitaki Limited. Donations made by Network Waitaki Limited amounted to \$110,595 (excluding GST) in 2018 and \$109,540 in 2017.

REMUNERATION OF TRUSTEES AND DIRECTORS

Remuneration paid to Trustees:

	Trustee Fees
	\$
Dr. H. F. Brookes	18,005
Mr. A.J. Brady	13,359
Mr. J. Clements	13,359
Mr. H.J. Tonkin	13,358
Mr. J. Webster	13,358
Total Trustees' fees	71,439

Remuneration paid to Directors:

Shareholders authorised total Directors' remuneration of \$215,207 for activities undertaken by Directors on behalf of the company.

	Total Directors' fees paid
	\$
Mrs. C.M. Kearney	11,719
Mr. D. Atkinson	32,781
Mr. C. Bailey	22,333
Mr. C.J. Dennison	50,031
Mr. J.D. Walker	32,781
Mr. A.J. Wood	32,781
Mr. D. Ruddenklau	32,781
Total Directors' fees	215,207

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	10
\$110,000 - \$119,999	3
\$120,000 - \$129,999	2
\$130,000 - \$139,999	1
\$140,000 - \$149,999	1
\$150,000 - \$159,999	1
\$280,000 - \$289,999	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.

CHANGE IN ACCOUNTING POLICIES

There have been no changes in accounting policies. All policies have been applied on bases consistent with those used in the prior year.

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	2,000
Age Concern Waitaki Incorporated	1,500	Oamaru Steam & Rail Restoration Soc. Ltd	2,300
Anglican Family Care Centre (inc)	1,000	Oamaru Tap Dancing Association	1,000
Athletic Junior Netball Club	500	Omarama School	3,000
Awakino Alpine Charitable Trust	800	Omarama Search and Rescue	938
CCS Disability Action Waitaki	500	Pembroke School	2,000
Citizens' Advice Bureau North Otago Inc	1,500	Pukeuri Smallbore Rifle Club	450
Duntroon & District Development Assn	600	Special Olympics North Otago	2,000
Excelsior Rugby & Ass. Sports Club Inc	1,000	Sport Otago	4,000
Hampden Community Energy Society Inc.	2,000	Squash Midlands Association Inc	1,000
Harbour Street Jazz Inc.	3,600	St Joseph's School	1,272
Lower Waitaki Playcentre	335	St Kevins College	3,100
Maheno Primary School	1,500	Summer Camp	1,360
Musical Theatre Oamaru Inc.	1,460	Target Shooting North Otago	550
Nicols Blacksmith Historic Trust	600	The House Of Breakthrough Trust Oamaru	1,000
North Otago Art Society Inc.	3,000	The Milk Room North Otago	1,030
North Otago Asthma Society	3,000	The Oamaru Whitestone Civic Trust	5,000
North Otago Astronomical Society Inc.	1,004	Union Cricket Club Inc.	2,000
North Otago Basketball Assn. Inc	3,000	Valley Rugby Football Club	2,000
North Otago Cricket Association	5,000	Vanished World Inc	740
North Otago Lawn Tennis Association	1,500	Waitaki Boys' High School	3,100
North Otago Netball Centre Inc.	2,000	Waitaki Girls' High School	3,100
North Otago Recreational Turf Trust	8,000	Waitaki Road Safe Inc	3,085
North Otago Rugby Football Union Inc	8,000	Waitaki Tourism Association	1,500
North Otago Sports Bodies Assn Inc.	5,000	Whitestone Taekwondo Club	1,500
Oamaru Elim Church	1,000		

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

Trustees' Report (continued)

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
6 July 2018



Trustee, A J Brady
6 July 2018

Statements of Comprehensive Income

for the year ended 31 March 2018

	Notes	GROUP		TRUST	
		2018	2017	2018	2017
		\$	\$	\$	\$
Operating Revenue	2	23,898,052	22,791,737	75,885	76,135
Customer Discount		(1,579,845)	(1,740,810)	-	-
Dividend		-	-	100,000	-
		<u>22,318,207</u>	<u>21,050,927</u>	<u>175,885</u>	<u>76,135</u>
Less					
Operating expenses	3	(4,884,740)	(4,423,704)	(136,462)	(140,901)
Transmission		(5,053,577)	(4,973,882)	-	-
Employee Costs		(3,152,927)	(2,975,214)	-	-
Depreciation, Amortisation and Impairment	4	(4,129,241)	(4,099,267)	-	-
Operating Profit Before Tax		<u>5,097,722</u>	<u>4,578,860</u>	<u>39,423</u>	<u>(64,766)</u>
Taxation	5	(1,424,657)	(971,393)	-	-
		<u>3,673,065</u>	<u>3,607,467</u>	<u>39,423</u>	<u>(64,766)</u>
Net Profit/(loss) for the Year		<u>3,673,065</u>	<u>3,607,467</u>	<u>39,423</u>	<u>(64,766)</u>
Other Comprehensive Income		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Comprehensive Income/(loss)		<u>3,673,065</u>	<u>3,607,467</u>	<u>39,423</u>	<u>(64,766)</u>

Statements of Changes in Equity

for the year ended 31 March 2018

GROUP	Trust Equity	Retained Earnings	Total Equity
Balance at 1 April 2016	14,500,100	69,474,444	83,974,544
Profit for the year, being total comprehensive income		3,607,467	3,607,467
Balance at 31 March 2017	<u>14,500,100</u>	<u>73,081,911</u>	<u>87,582,011</u>
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>
TRUST	Trust Equity	Retained Earnings	Total Equity
Balance at 1 April 2016	14,500,100	985,932	15,486,032
Loss for the year, being total comprehensive loss		(64,766)	(64,766)
Balance at 31 March 2017	<u>14,500,100</u>	<u>921,166</u>	<u>15,421,266</u>
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>

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

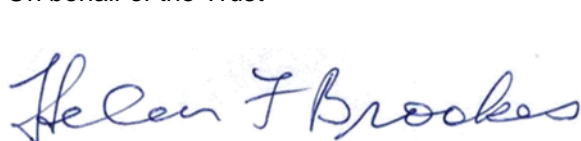
Statements of Financial Position

as at 31 March 2018

		GROUP		TRUST	
	Notes	2018	2017	2018	2017
		\$	\$	\$	\$
CURRENT ASSETS					
Cash and Cash Equivalents		1,410,743	742,698	4,357	7,256
Term Deposits		7,045,000	6,958,000	295,000	258,000
Trade and Other Receivables	6	2,411,944	2,662,984	12,186	7,791
Inventories	11	1,352,305	1,292,068	-	-
Work in Progress		577	561	-	-
Taxation Receivable		89,372	557,359	4,896	3,879
Deferred Tax	5	-	-	-	-
TOTAL CURRENT ASSETS		12,309,941	12,213,670	316,439	276,926
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	95,180,931	90,351,416	-	-
Intangible Assets	10	647,284	688,767	-	-
Trade and Other Receivables	6	-	335,600	-	-
TOTAL NON-CURRENT ASSETS		95,828,215	91,375,783	15,150,000	15,150,000
TOTAL ASSETS		108,138,156	103,589,453	15,466,439	15,426,926
CURRENT LIABILITIES					
Trade and Other Payables	12	2,350,323	2,215,443	5,750	5,660
Employee Entitlements	13	666,170	663,264	-	-
Tax Payable		-	-	-	-
TOTAL CURRENT LIABILITIES		3,016,493	2,878,707	5,750	5,660
NON-CURRENT LIABILITIES					
Deferred Tax	5	13,866,587	13,128,735	-	-
TOTAL NON-CURRENT LIABILITIES		13,866,587	13,128,735	-	-
TOTAL LIABILITIES		16,883,080	16,007,442	5,750	5,660
EQUITY					
Trust Equity	14	14,500,100	14,500,100	14,500,100	14,500,100
Retained Earnings	15	76,754,976	73,081,911	960,589	921,166
TOTAL EQUITY		91,255,076	87,582,011	15,460,689	15,421,266
TOTAL LIABILITIES AND EQUITY		108,138,156	103,589,453	15,466,439	15,426,926

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 2018

		GROUP		TRUST	
	Notes	2018 \$	2017 \$	2018 \$	2017 \$
CASH FLOWS FROM OPERATING ACTIVITIES					
<i>Cash was Provided from:</i>					
Receipts from Customers		22,568,961	20,753,129	-	-
Interest Received		283,149	312,029	74,382	78,111
		<u>22,852,110</u>	<u>21,065,158</u>	<u>74,382</u>	<u>78,111</u>
<i>Cash was Disbursed to:</i>					
Payments to Suppliers and Employees		(12,949,220)	(12,789,795)	(137,185)	(142,781)
Income Tax Paid		(218,818)	(1,383,387)	(1,017)	(3,879)
Net GST Paid		(11,754)	(113,543)	(2,079)	(4,167)
		<u>(13,179,792)</u>	<u>(14,286,725)</u>	<u>(140,281)</u>	<u>(150,827)</u>
NET CASH FROM OPERATING ACTIVITIES	16	<u>9,672,318</u>	<u>6,778,433</u>	<u>(65,899)</u>	<u>(72,716)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
<i>Cash was Provided from:</i>					
Transfer from Term Deposits		-	3,321,000	-	71,000
Dividend				100,000	-
Proceeds from sale of Assets		-	20,653	-	-
		<u>-</u>	<u>3,341,653</u>	<u>100,000</u>	<u>71,000</u>
<i>Cash was Applied to:</i>					
Transfer to Term Deposits		(87,000)	-	(37,000)	-
Purchase of Property, Plant and Equipment		(8,917,273)	(10,016,497)	-	-
		<u>(9,004,273)</u>	<u>(10,016,497)</u>	<u>(37,000)</u>	<u>-</u>
NET CASH FROM INVESTING ACTIVITIES		<u>(9,004,273)</u>	<u>(6,674,844)</u>	<u>63,000</u>	<u>71,000</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS HELD					
		668,045	103,589	(2,899)	(1,716)
Cash and Cash Equivalents at Beginning of the Year		742,698	639,109	7,256	8,972
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		<u>1,410,743</u>	<u>742,698</u>	<u>4,357</u>	<u>7,256</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 6 July 2018.

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 2017. 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

Sale of Goods

Revenue from the sale of goods is recognised in the Statements of Comprehensive Income when the significant risks and rewards of ownership have been transferred to the consumer. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods, or where there is continuing management involvement with the goods.

Services supplied

Revenue from the sale of services is recognised in the Statements of Comprehensive Income when it is probable that the economic benefits associated with the transaction will flow to the Group. No revenue from services supplied is recognised when the stage of completion of the transaction cannot be measured reliably or the amount of revenue from the transaction cannot be reliably measured.

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.

Customer contributions

Contributions from customers in relation to the construction of new lines for the network are accounted for as income in the year in which the Group completes the actual work.

Construction Contracts

Revenue from construction contracts is recognised by reference to the recoverable cost incurred during the period plus the percentage of fees earned.

When a loss is expected to occur, it is recognised immediately.

Notes to the Financial Statements (continued)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REVENUE (CONTINUED)

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.

WORK IN PROGRESS

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

Notes to the Financial Statements (continued)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 recognised initially at fair value and subsequently measured at amortised costs, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the assets carrying amount and realisable value. The amount of the provision is recognised in the Statements of Comprehensive Income.

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	1.4% to 10.0%
Fibre Network	7.0%
Buildings	1.25% to 3.9%
Meters and Relays	14.29% to 20.0%
Plant and Equipment	5.0% to 80.0%

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

Borrowing costs for assets are capitalised when the construction period of qualifying assets is greater than nine months.

The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is the current cost of borrowing from financial markets.

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

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the Statements of Financial Position date. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and receivables', 'term deposits' and 'cash and cash equivalents' on the Statements of Financial Position. Loans and receivables are carried at amortised cost, using the effective interest method.

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.

(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.

Notes to the Financial Statements (continued)

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

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.

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.

Notes to the Financial Statements (continued)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

Notes to the Financial Statements (continued)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF CONSOLIDATION (CONTINUED)

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.

NEW STANDARDS AND INTERPRETATIONS

New and amended standards adopted by the Trust

There are no changes in 2017/18.

Notes to the Financial Statements (continued)

	GROUP		TRUST	
	2018	2017	2018	2017
	\$	\$	\$	\$
2 OPERATING REVENUE				
<i>Operating Revenue Comprises:</i>				
Network	18,576,952	17,520,381	-	-
Metering	571,272	704,445	-	-
Interest	284,652	310,053	75,885	76,135
Bad Debts Recovered	3,109	3,281	-	-
Rent	12,600	16,398	-	-
Contracting	1,807,793	1,261,863	-	-
Capital Contributions	1,667,620	2,034,517	-	-
Other	974,054	940,799	-	-
	23,898,052	22,791,737	75,885	76,135
3 OPERATING EXPENSES				
<i>Operating Expenses Comprise:</i>				
Operating Costs	4,329,048	3,891,083	59,773	68,384
Directors' Fees	215,207	198,749	-	-
Trustee Fees	71,439	67,267	71,439	67,267
Assets Scrapped	-	-	-	-
Donations	110,595	109,540	-	-
Audit Fees - PWC	77,200	74,000	5,250	5,250
Other Regulatory Audits – PWC	53,789	49,329	-	-
Other Regulatory Audits –Other Firms	5,544	16,236	-	-
Rent	21,000	17,500	-	-
Bad Debts Written Off	918	-	-	-
	4,884,740	4,423,704	136,462	140,901
4 DEPRECIATION, AMORTISATION AND IMPAIRMENT				
<i>Depreciation and Amortisation Comprises:</i>				
Buildings	70,860	55,993	-	-
Network Reticulation System	2,870,595	2,738,532	-	-
Meters and Relays	59,298	138,681	-	-
Plant and Equipment	625,315	586,594	-	-
Fibre Network	182,308	182,184	-	-
Intangibles	179,002	189,712	-	-
Total Depreciation	3,987,378	3,891,696	-	-
Loss on Disposal of Property, Plant and Equipment	141,863	207,571		
Total Depreciation, Amortisation and Impairment	4,129,241	4,099,267		

Notes to the Financial Statements (continued)

	GROUP		TRUST	
	2018	2017	2018	2017
	\$	\$	\$	\$
5 TAXATION				
Tax Expense for Period Made up of				
Income Tax Expense	686,805	572,062	-	-
Deferred Taxation Expense	737,852	399,331	-	-
	1,424,657	971,393	-	-
Operating Surplus Before Income Tax	5,097,722	4,578,860	39,423	(64,766)
Prima Facie Taxation	1,457,334	1,278,843	13,010	(21,373)
<i>Movement in Income Tax Due to:-</i>				
Non Deferred Tax Differences	-	-	-	-
Non Assessable Income	-	-	-	-
Non Deductible Expenses	49,298	28,231	-	-
Prior Period Adjustment	(68,965)	(357,054)	-	-
Trust Loss not recognised	(13,010)	21,373	(13,010)	21,373
	(32,677)	(307,450)	(13,010)	21,373
Tax Expense	1,424,657	971,393	-	-
Deferred Tax Movements				
Capital Contributions	(109,747)	(259,172)	-	-
Prior Period Adjustments	66,919	456,723	-	-
Depreciation	(714,373)	(621,044)	-	-
Other	19,349	24,162	-	-
	(737,852)	(399,331)	-	-
Income Tax Expense	686,805	572,062	-	-

GROUP DEFERRED TAX

	Depreciation	Other	Total
Opening Balance as at 1 April 2016	10,961,283	1,768,121	12,729,404
Change in the year	621,044	(221,713)	399,331
Closing Balance as at 31 March 2017	11,582,327	1,546,408	13,128,735
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

Waitaki Power Trust tax loss carried forward for 2018 is \$893,668 (2017: \$933,091).

Notes to the Financial Statements (continued)

5 TAXATION (continued)

GROUP

Current and Non-Current Deferred Tax

	Depreciation \$	Other \$	Total \$
2017			
Current Deferred Tax	-	-	-
Non-Current Deferred Tax	11,582,327	1,546,408	13,128,735
Total Deferred tax	11,582,327	1,546,408	13,128,735
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

	GROUP		TRUST	
	2018	2017	2018	2017
	\$	\$	\$	\$
6 TRADE AND OTHER RECEIVABLES				
<i>The Balance Comprises:</i>				
Trade Receivables	2,058,364	2,484,851	-	-
Doubtful Debts	(34,663)	(39,042)	-	-
Total Trade Receivables	2,023,701	2,445,809	-	-
Other Receivables	96,582	330,150	5,940	3,624
Prepayments	222,449	186,001	-	-
GST	69,212	36,624	6,246	4,167
Balance at End of Year	2,411,944	2,998,584	12,186	7,791
Less Non-Current Trade Receivables	-	335,600	-	-
Current Trade and Other Receivables	2,411,944	2,662,984	12,186	7,791
Trade and other receivables less than 90 days old	2,033,933	2,935,043	12,186	7,791
Trade and other receivables greater than 90 days old	378,011	63,541	-	-
	2,411,944	2,998,584	12,186	7,791

No Trade and Other Receivables are impaired in 2018 or 2017.

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 2016	14,000,000
Movement for the Year	-
Closing Balance as at 31 March 2017	14,000,000
Opening Balance as at 1 April 2017	14,000,000
Movement for the Year	-
Closing Balance as at 31 March 2018	14,000,000

8 ADVANCES TO SUBSIDIARIES

Waitaki Power Trust Advance to Network Waitaki Limited

	Loan \$
Opening Balance as at 1 April 2016	1,150,000
Movement for the Year	-
Closing Balance as at 31 March 2017	1,150,000
Opening Balance as at 1 April 2017	1,150,000
Movement for the Year	-
Closing Balance as at 31 March 2018	1,150,000

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 2016	102,100,387	2,288,646	2,600,989	2,604,400	4,952,616	114,547,038
Additions	10,147,913	4,000	-	-	830,046	10,981,959
Disposals	(492,627)	(24,205)	(5,592)	-	(55,553)	(577,977)
At 31 March 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
Accumulated Depreciation and Impairment						
At 1 April 2016	26,434,635	431,456	2,365,922	1,002,030	2,154,730	32,388,773
Charge for Year	2,738,532	55,993	138,681	182,184	586,594	3,701,984
Disposals	(236,652)	(17,478)	(651)	-	(53,589)	(308,370)
At 31 March 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
Net Book Values						
At 31 March 2017	82,819,158	1,798,470	91,445	1,420,186	3,039,374	89,168,633
Work in Progress	1,058,557	114,261	-	-	9,965	1,182,783
	83,877,715	1,912,731	91,445	1,420,186	3,049,339	90,351,416
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

Notes to the Financial Statements (continued)

	GROUP		TRUST	
	2018	2017	2018	2017
	\$	\$	\$	\$
10 INTANGIBLE ASSETS				
Purchased Software				
Gross Carrying Amount				
Opening Balance	1,619,980	1,507,919	-	-
Additions	90,519	112,061	-	-
Disposals	-	-	-	-
Closing Balance	1,710,499	1,619,980	-	-
Accumulated Amortisation, and Impairment				
Opening Balance	934,213	744,501	-	-
Additions	179,002	189,712	-	-
Disposals	-	-	-	-
Closing Balance	1,113,215	934,213	-	-
Net Book Value	597,284	685,767	-	-
Work in Progress	50,000	3,000	-	-
Closing Balance	647,284	688,767	-	-

11 INVENTORIES

	GROUP		TRUST	
	2018	2017	2018	2017
	\$	\$	\$	\$
Total Inventory	1,352,305	1,292,068	-	-

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	
	2018	2017	2018	2017
	\$	\$	\$	\$
12 TRADE AND OTHER PAYABLES				
Trade Payables	1,603,473	1,875,899	-	5,660
Accruals	467,529	112,957	5,750	-
Capital Contributions	279,321	226,587	-	-
G.S.T Payable	-	-	-	-
Balance at End of Year	2,350,323	2,215,443	5,750	5,660

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.

13 EMPLOYEE ENTITLEMENTS

Annual Leave Entitlements	551,853	550,601	-	-
Other Entitlements	114,317	112,663	-	-
Total	666,170	663,264	-	-

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.

RETAINED EARNINGS

15	Balance at Beginning of Year	73,081,911	69,474,444	921,166	985,932
	Net Surplus/(Deficit) for Year	3,673,065	3,607,467	39,423	(64,766)
	Balance at End of Year	76,754,976	73,081,911	960,589	921,166

Notes to the Financial Statements (continued)

16 RECONCILIATION OF NET SURPLUS WITH CASH FLOWS FROM OPERATING ACTIVITIES

	GROUP		TRUST	
	2018	2017	2018	2017
	\$	\$	\$	\$
Net Profit/(loss) for the Year	3,673,065	3,607,467	39,423	(64,766)
Add/(Less) Non Cash Items:				
Depreciation and Amortisation	4,129,241	4,099,267	-	-
Assets Scrapped	-	-	-	-
Deferred Taxation	737,852	399,331	-	-
	<u>4,867,093</u>	<u>4,498,598</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>(100,000)</u>	<u>-</u>
Add/(less) Movements in Working Capital Items:				
(Increase) / Decrease in Trade and Other Receivables	586,640	(26,152)	(4,395)	(2,191)
(Increase) / Decrease in Inventories	(60,237)	(5,243)	-	-
(Increase) / Decrease in Work in Progress	(16)	(409)	-	-
Increase / (Decrease) in Tax Payable	467,987	(811,325)	(1,017)	(3,879)
Increase / (Decrease) in Trade and Other Payables	134,880	(559,839)	90	(1,880)
Increase / (Decrease) in Employee Entitlements	2,906	75,336	-	-
	<u>1,132,160</u>	<u>(1,327,632)</u>	<u>(5,322)</u>	<u>(7,950)</u>
Net Cash Flows From Operating Activities:	<u>9,672,318</u>	<u>6,778,433</u>	<u>(65,899)</u>	<u>(72,716)</u>

17 CAPITAL COMMITMENTS

Network Assets	1,361,000	1,911,000	-	-
Non-Network Assets	715,000	43,000	-	-
Total	<u>2,076,000</u>	<u>1,954,000</u>	<u>-</u>	<u>-</u>

18 CONTINGENCIES

The Group and Parent have no contingent liabilities or contingent assets as at 31 March 2018 (2017: Nil).

Notes to the Financial Statements (continued)

19 ANALYSES OF FINANCIAL LIABILITIES

GROUP

31 March 2017	Less than 1 Year	Between 1 and 2 Years	Between 2 and 5 Years	Over 5 Years
Trade and Other Payables	2,215,443	-	-	-
Employee Entitlements	663,264	-	-	-
TOTAL	2,878,707	-	-	-

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	-	-	-

TRUST

31 March 2017	Less than 1 Year	Between 1 and 2 Years	Between 2 and 5 Years	Over 5 Years
Trade and Other Payables	5,660	-	-	-

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	-	-	-

20 OPERATING LEASES

	GROUP		TRUST	
	2018 \$	2017 \$	2018 \$	2017 \$
LESSORS – OPERATING LEASES				
No later than one year	405,228	404,077	-	-
Later than one year and no later than five years	1,595,660	1,572,212	-	-
Later than five years	5,032,445	5,329,821	-	-
	7,033,333	7,306,110	-	-

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	514,130	530,240	-	-
Later than one year and no later than five years	2,048,045	1,965,315	-	-
Later than five years	1,421,141	1,908,078	-	-
	3,983,316	4,403,633	-	-

Notes to the Financial Statements (continued)

21 RELATED PARTY TRANSACTIONS

2018
\$

2017
\$

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

59,406

218,097

Payments Outstanding Balance at Balance Date

Trade Payables

7,245

47,331

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

54,785

20,612

Lease of land and buildings at Otematata

14,490

13,896

Payments Outstanding Balance at Balance Date

Trade Receivables

3,021

(6,191)

Payments from Network Waitaki Limited to Waitaki Power Trust

Interest

66,355

66,355

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

32,781

30,426

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

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 key management personnel

Payments to key management personnel are made in accordance with agreements.

Remuneration

1,140,619

916,261

