Waitaki Power Trust

ANNUAL REPORT

For the year ended 31 March 2020

2020 ANNUAL REPORT

CONTENTS

DIRECTORY

TRUSTEES:
John Clements (Chairman)
Dr Helen Brookes
Doreen Cleave
Herbert Tonkin
John Webster

BANKERS:
ANZ
The Octagon
Dunedin 9054

SECRETARY:
Faye Ormandy

AUDITORS:
Nathan Wylie
PricewaterhouseCoopers
Christchurch

SOLICITORS:
Berry & Co
Eden Street
Oamaru

WEBSITE:
www.waitakipowertrust.co.nz

Annual Review

The Trust activities during the 2020 year have seen it keeping up to date with industry changes, presenting submissions and increasing the profile of the Trust and the Company through promotion of who we are and where we are going. CoViD-19 has emerging implications that will be tackled by the Company with a "can do" attitude and problem solving approach. The Trustees have confidence that Network Waitaki is well placed to meet the challenge.

September Trustee elections saw the retirement of long serving Trustee Tony Brady. Tony was elected to the Trust in 2004 and his financial and business wisdom, as well as his long experience from 1995 to 2003 as a Director of Network Waitaki, gave him extraordinary insight into the Company.

Dr Helen Brookes and Jock Webster were re-elected to the Trust along with new Trustee Doreen Cleave. Doreen's input will be valued, especially on the financial side. Herb Tonkin, the fifth Trustee, was not required to stand for re-election. A changing of the guard has occurred with John Clements taking over the role of Chairman of the Trust.

MAJOR FOCUSES OF THE 2020 YEAR

1. Keeping up with legislative and regulatory changes that relate to the responsibilities of trustee/shareholders of energy trusts.

a) The 2019 Trusts Act
The new Trusts Act, which becomes fully operative in January 2021, not only clearly spells out the mandatory and default duties of all trustees, including trustees of energy/power trusts, but also makes trustees fully accountable to beneficiaries for trust decisions, a requirement which is based on the rights of beneficiaries to request copies of the information trustees have based a decision on.

Energy Trusts of New Zealand's (ETNZ) advice to member trusts is that to enable trustees to carry out their responsibilities going forward, trustees need to adopt a wider governance role with respect to the maintenance and capital work spent annually by the lines company they hold either a majority or 100% shareholding in, as a way of ensuring that the value of the trust's shareholding is not being put at risk, is at least maintained or will be increasing in value.

Additionally, trustees need also to be confident that the Company's vision, objectives, goals and policies are consistent with the operational terms and conditions of the relevant Power Trust Deeds.

Trustees have noted and taken the first steps toward deciding on the new processes and procedures that will need to be put in place.

There is however, still a way to go with the possibility of seeking legal advice on the interpretation of procedural matters included in the new Trust Act.

b) Government's Electricity Price Review
Outcomes relating to the Government's electricity price review, gleaned by a specifically appointed review panel, following two rounds of submissions lodged by affected parties, including Waitaki Power Trustees as consumer advocates, were presented to Cabinet's Economic Committee in September 2019.

It is important to note that the purpose of the price review was first to ascertain the facts about the rate of electricity price increases to residential, commercial and industrial customers since at least 2000, then to widen the enquiry as to the extent to which electricity supply across New Zealand was reliable, affordable and fair, and finally not only to arrive at potential improvements to reduce energy hardship and unfairness, but also for the review team to prioritise potential solutions.

As consumer advocates, your trustee representatives found Cabinet's decision disappointing. The strategy adopted to reduce power bills to residential consumers appears to have resulted from the four big generators in New Zealand that generate over 90% of all electricity used, which attributed the high rate of increases in residential power bills to significant increases in network company line charges.

Hence, Cabinet's first step was to extend the regulatory powers of both the Electricity Authority and the Commerce Commission with respect to how electricity lines companies operate.

If putting in place more rules about the way in which lines companies operate does not slow down the rate of increases in household power bills, then the Electricity Price Review team hinted that plan B was for electricity generating companies to be regulated.

A decision by cabinet along those lines would ensure that all electricity, used by small business and New Zealand households, would go directly to the wholesale electricity market were it would be available to a much wider range of retailers, including Flick, Electric, Pulse Energy, Electric Kiwi and so on, to purchase at wholesale prices to on-sell to households at lower retail prices than those currently charged by the generators.

Waitaki Trustees, along with many other submitters, considered that option would be the most effective way to bring domestic power price increases down so that any increases would be in line with the increases in the cost of electricity to industrial and commercial business which have been more or less stable over the last ten years.

c) The Electricity Authority's Transmission Pricing Methodology
The 2010 Electricity Industry Act saw the establishment of the Electricity Authority that is responsible for regulating the activity of lines companies, including Transpower, among a host of other aspects of the energy sector.

That responsibility includes setting out the various types of charges Transpower can bill customers that receive electricity from the national grid. The Electricity Authority has had at least two attempts now at drawing up guidelines for Transpower's charging regime, one in 2016, the other in 2018-19, both of which have been critiqued and rejected by the majority of stakeholders and Transpower's customers.

As consumer advocates, Waitaki Power Trust supported Network Waitaki in rejecting significant aspects of the charging systems proposed.

Given the widespread level of dissent when submissions closed last year, the Electricity Authority provided additional opportunity to submitters to present their case to the Authority's Board of Directors and answer questions orally in Wellington in December last year.

Trustee Helen Brookes along with Network Waitaki's CEO, Geoff Douch and the Company's Regulatory Manager, Cornel van Basten, attended with representatives from each organization having a 30 minute time slot.

Unfortunately, the outcomes from a number of oral presentations did not put the issues involved to bed either. Hence, there was another round of submissions on a significantly amended set of guidelines, in late February 2020. At issue this time around is whether the volume of electricity used by Network Waitaki consumers annually, for example, is to be charged on the basis of the amount of electricity used or the capacity of the infrastructure necessary to supply it.

The Electricity Authority's decision is yet to be made public. Trustees' concern is that if the interconnection charge is to be mostly based on a capacity based charge, then Transpower's interconnection charge to Network Waitaki consumers will increase by a further $1.6 million annually to $4.6 million.

2. Energy Trusts of New Zealand Conferences – Wellington and Pukekohe

ETNZ conferences remain a valuable avenue for trustees to meet trustees from other Energy Trusts, share information, participate in industry workshops, hear from Government Ministers and industry leaders and increase their knowledge of the legal and legislative processes that affect Trusts. Several Network Waitaki Directors have also attended both ETNZ conferences with the Trustees.

3. Lifting the public profile of the Trust

The Trust's profile has been boosted with the development of a website. A function to launch the website was held in May last year and at the same time local people were encouraged to stand for the Trust election being held later in the year.

The Trust had a site alongside Network Waitaki at the North Otago Agricultural and Pastoral Show in February. Again the aim was to lift the Trust's profile and brochures and a banner were created to inform people about the role of the Trust in the community.

4. Working together

The Company's profile within the district has lifted a notch this year and the Company is moving forward with a team approach; a focus on local; looking at new opportunities; and by gathering the right skill set to do this. Both the Company Chairman, Chris Dennison, and Chief Executive, Geoff Douch, have worked closely with the Trust and attended a number of Trust meetings during the year to keep Trustees informed and updated.

In addition, the Trust and Network Waitaki continue to work together to develop stakeholder and community engagement and increase the profile of both organisations within the network's distribution area.

FINANCIAL INFORMATION

1. Benefits of Trust Ownership

Each year Trustees' review forecasted profit of NWL and seek a balance between required growth of the network and the return of benefits to consumers. This year $1.342 million (inclusive of GST) (2019: $1.701 million) was allocated resulting in the majority of consumers receiving a discount of $89.99 (inclusive of GST) off their power bill.

As in previous years, eligibility of a discount and the amount of discount paid meet certain criteria which are set out in NWL's Discount Methodology and available from NWL's website.

Additionally, Network Waitaki consumers continue to receive further benefits of Trust ownership of the Company through a reliable and timely service, low line tariffs (which remain in the bottom 25% of charges across New Zealand), a local company that prides itself on giving back to the community through grants, sponsorship, and employment and educational opportunities.

Planned and unplanned outages remain within targets and reflect the long term investment Network Waitaki places in its network infrastructure. This year capital expenditure on the reticulation system was $6.56 million (2019: $7.27 million).

2. Network Waitaki's Performance

Line revenue has increased this year as it has been a busy year for irrigation. Capital contributions which reflect the network's growth continue to be a major factor in the profitability of the company – 2020: $1.83 million (2019: $1.79 million). The CoViD-19 lockdown period affected contracting income very slightly at the end of the 2020 financial year and will continue to affect the company into the 2021 year when only essential work was able to be carried out for a period of time. Despite this, the overall net result was more than acceptable when compared to the Statement of Corporate Intent.

It is worth noting and celebrating the increase in external contracting income which is primarily due to contracts with large industrial customers and undertaking work on other electricity networks outside the Waitaki area. This is good news for us as Trustees as it is income generated outside of the district improving profitability of the company and ultimately benefitting local consumers. During the year, the company took on three new trainee Line Mechanics to ensure we have a capable workforce as line work increases with demand for more power for irrigation, along with routine maintenance and replacement activities. The building of a new substation at Eastern Road is an example of the investment needed to support growth in demand.

The maintenance and renewal programmes are tracking in line with the targets set by the Company. Pole inspection, testing and replacement is up to date and vegetation management is ongoing.

Network Waitaki's reliability of supply, which is monitored by minutes lost to the consumer from planned and unplanned outages, has the Company positioned as one of the better performing in New Zealand, and consistently within the top 10 networks in the country.

Health, Safety and Wellness is a priority area for the company. Management continues to keep procedures and staff training up to date, and a focus in the past year was on critical safety risks and controls to manage those. However, CoViD-19 will bring its own set of challenges in terms of modifying practices to keep workers safe.

3. Network Waitaki's Performance against the 2020 Statement of Corporate Intent

STATEMENT OF COMPREHENSIVE INCOME FOR YEAR ENDED 31 MARCH 2020

	ACTUAL $	SCI (restated*) $	VARIANCE $
Statement of Comprehensive Income			
Revenue Excluding Capital Contributions	23,824,601	21,871,511	1,953,090
Capital Contributions	1,829,496	746,089	1,083,407
Total Revenue	25,654,097	22,617,600	3,036,497
Less Expenses Excluding Depreciation	(14,023,072)	(13,200,761)	(822,311)
Less Depreciation	(4,705,844)	(4,902,409)	196,565
Net Profit before Discount and Tax	6,925,181	4,514,430	2,410,751
Less Discount	(1,166,985)	(1,000,000)	(166,985)
Net Profit Before Taxation	5,758,196	3,514,430	2,243,766
Less Taxation	(1,549,489)	(984,040)	(565,449)
Net Profit After Discount and Taxation	4,208,707	2,530,390	1,678,317

* Revenue excluding capital contributions and expenses excluding depreciation have been restated to ensure consistent presentation with the annual financial statements

Comment
Net Profit after Taxation was $1.7m higher than budget. This was driven by higher than expected lines revenue ($1.6m) and higher Capital Contributions ($1.1m).

This has enabled a higher discount distribution ($0.2m) and resulted in a higher tax charge ($0.6m).

BALANCE SHEET AS AT 31 March 2020

	ACTUAL $	SCI $	VARIANCE $
Shareholders' Equity	96,784,093	95,375,273	1,408,820
Current Assets	13,420,257	4,998,416	8,421,841
Current Liabilities	3,771,955	2,936,197	835,758
Working Capital	9,648,302	2,062,219	7,586,083
Non-Current Assets	104,702,466	108,329,641	(3,627,175)
Non-Current Liabilities	17,566,675	15,016,587	2,550,088
Net Non-Current Assets	87,135,791	93,313,054	(6,177,263)
Total Net Assets	96,784,093	95,375,273	1,408,820

Comment
Working Capital is substantially higher than plan due to strong cash reserves due improved financial performance and lower than planned capital spending. Non-current liabilities were higher than plan as a consequence of adopting NZ IFRS 16: Leases ($1.0m) and deferred tax adjustments.

Key Financial Reporting Measures

	ACTUAL	SCI	VARIANCE
NPBT to Shareholder Funds	5.95%	3.68%	2.27%
Net Assets per Share	$6.91	$6.81	$0.10
NPBT Earnings per Share in Cents	41.13	25.10	16.03
Ratio of Shareholders' Funds to Total Assets	81.94%	84.16%	(2.22%)
Rate of Return After Tax on Shareholder Funds	4.35%	2.65%	1.70%

Comment
Stronger than planned financial performance has resulted in favourable earnings ratios. The first time adoption of NZ IFRS 16: Leases has increased liabilities which resulted in slightly higher than planned leverage ratios.

Non-Financial Performance Measures

	ACTUAL	SCI	VARIANCE
Average Interruption Duration (SAIDI) – normalised Average number of minutes electricity supply was lost per customer, normalised by limiting the impact of a major event day	124.1	150 to 250	Below Band (favourable)
Average Interruption Frequency (SAIFI) – normalised Average frequency of interruptions to electricity supply per customer during the year, normalised by limiting the impact of a major event day	1.2	1.0 to 2.0	Inside Band

Comment

SAIDI performance was favourable to target due to a decrease in both planned and unplanned outages compared to previous years resulting in a total SAIDI decrease of 19% compared to the 18/19 financial year.

The number of unplanned (fault) outages decreased by 5%, with a 9% reduction in SAIDI impact, mainly due to fewer equipment failures and reductions in a number of other fault categories. Vegetation faults increased in the year due to adverse weather on two occasions.

Planned outage numbers decreased by 25% compared to the previous year as a result of the change in types of work being undertaken on the network and increased use of live work techniques or other methods of outage mitigation.

The reduction in outage numbers was reflected in a total SAIFI decrease of 39% compared to the 18/19 financial year, and a year end result within the SCI target band.

APPOINTMENT OF DIRECTORS

The appointment of Directors for Network Waitaki Limited began with advertisements being placed in both local and adjacent regional newspapers as well as on the NZ Institute of Directors website. 31 applications were received with seven applicants of these from within the Network Waitaki distribution area. It is excellent to see the real interest of so many in becoming a Network Waitaki director.

Following the interviews of five of these applicants, the Trust appointed Michael de Buyzer of Oamaru and Jonathan Kay of Auckland to the Board.

Michael de Buyzer is a barrister and solicitor and Berry and Co with director experience on several Boards. Jonathan Kay is a Director of Waipa Networks long with a number of other directorships. He has board experience in the electricity sector and emerging technologies.

David Ruddenklau with eight years on the Board and Derek Atkinson with nine years on the Board both retired. The Trust appreciates the significant input these two directors made to the NWL Board over this time and thanks them sincerely.

ACKNOWLEDGEMENTS

I would like to thank all Trustees for their input and support throughout the year, the Network Waitaki directors and CEO for their leadership and direction and lastly, special mention of the Waitaki Power Trust secretary, Faye Ormandy for her secretarial duties, industry knowledge and extra duties which go well beyond expectations. A big “thank you” Faye.

J Clements
………………………………..
Chairman, John Clements

Helen F Brookes
………………………………….
Trustee, Dr Helen Brookes

D M Cleave
………………………………
Trustee, Doreen Cleave

………………………………….
Trustee, Herbert Tonkin

John Webster
……………………
Trustee, John Webster

Trustees' Report

GENERAL DISCLOSURES

The Trustees present their Annual Report together with Audited Financial Statements for the year ended 31 March 2020.

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 $100,621 (loss for 2019 was $55,324).

DONATIONS

No donations were made during the 2019 or 2020 years by the Trust, however donations were made by Network Waitaki Limited. Donations made by Network Waitaki Limited amounted to $108,945 (excluding GST) in 2020 and $116,745 in 2019.

REMUNERATION OF TRUSTEES AND DIRECTORS

Remuneration paid to Trustees:

	Trustee Fees $
Dr. Helen Brookes	16,811
Anthony Brady	7,057
Doreen Cleave	7,299
John Clements	16,896
Herbert Tonkin	14,357
John Webster	14,357
Total Trustees' fees	76,777

Remuneration paid to Directors:

Shareholders authorised total Directors' remuneration of $229,835 for activities undertaken by Directors on behalf of the company.

	Total Directors' fees paid $
Derek Atkinson	8,526
Chris Bailey	34,367
Michael de Buyzer	25,842
Chris Dennison	57,999
Jonathan Kay	25,842
David Ruddenklau	8,526
Mike Underhill	34,367
Tony Wood	34,366
Total Directors' fees	229,835

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	6
$110,000 - $119,999	1
$120,000 - $129,999	2
$130,000 - $139,999	2
$150,000 - $159,999	2
$310,000 - $319,999	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.

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:

Alzheimers Society	450	North Otago Sports Bodies Association	5,000
Anglican Family Care Inc	3,000	Oamaru Athletic Marist Rugby Football Club Inc	600
Awamoa Football Club	300	Oamaru Blue Light Ventures Inc	1,500
CCS Disability Action Waitaki Ltd	650	Oamaru Events Ltd t/a Alps 2 Ocean Ultra	6,750
Citizens Advice Bureau North Otago Inc	2,500	Oamaru Intermediate School	685
Duntroon School	1,500	Oamaru Performing Arts Society Inc	4,500
Excelsior Rugby & Associated Sports Club	500	Oamaru Tap Dancing Association	500
Federated Farmers North Otago	500	Pembroke School (Oamaru)	2,000
Football Waitaki	1,000	Presbyterian Support Otago	1,500
Harbour Street Jazz Inc	5,000	Royal New Zealand Plunket Trust on behalf of North Otago Plunket	1,000
IEEE UC Student Branch University	400	Saints Trampoline Club Inc	1,000
Maheno Bowling Club Inc	750	Sport Otago	4,000
Maheno Netball Club	800	St Joseph's School	1,500
North Otago Asthma Society Inc	1,500	St Kevins College	3,500
North Otago Astronomical Society Inc	1,000	Target Shooting North Otago	500
North Otago Basketball Assn Inc	3,000	The House of Breakthrough Trust Oamaru	1,000
North Otago Cricket Association	5,000	The Oamaru Whitestone Civic Trust (Victorian Town at Work)	5,000
North Otago Harrier and Amateur Athletics Club Inc	700	Waitaki Boys' High School	3,500
North Otago Highland Pipe Band Inc	1,500	Waitaki Community Recreation Centre	1,500
North Otago Netball Centre Inc	2,000	Waitaki Girls' High School	3,200
North Otago Primary Schools Music Festival Assn	3,500	Waitaki Road Safe	1,700
North Otago Recreational Turf Trust	8,000	Waitaki Valley School	3,500
North Otago Rugby Union Inc	8,000	Weston Home and School	500
North Otago Section of the New Zealand Alpine Club	2,000	Whitestone Taekwondo Club (Oamaru)	960

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,

J Clementi

Chairman
8 July 2020

Trustee
8 July 2020

Comprehensive Income

for the year ended 31 March 2020

	Notes	GROUP 2020 $	GROUP 2019 $	TRUST 2020 $	TRUST 2019 $
Operating revenue	1	25,654,097	22,905,417	-	-
Customer discount		(1,166,985)	(1,478,837)	-	-
		24,487,112	21,426,580	-	-
Less					
Operating expenses	2	(6,321,389)	(4,752,696)	(171,133)	(131,004)
Transmission		(4,524,724)	(4,840,864)	-	-
Employee costs		(3,440,228)	(3,758,527)	-	-
Depreciation, amortisation and impairment	3	(4,705,844)	(4,389,802)	-	-
Operating profit		5,494,927	3,684,691	(171,133)	(131,004)
Finance income		228,375	254,276	70,512	75,680
Finance costs		(65,727)	-	-	-
Finance income net		162,648	254,276	70,512	75,680
Profit before tax		5,657,575	3,938,967	(100,621)	(55,324)
Taxation	17	(1,549,489)	(1,213,292)	-	-
Net profit/(loss) for the year		4,108,086	2,725,675	(100,621)	(55,324)
Other comprehensive income		-	-	-	-
Total comprehensive income/(loss)		4,108,086	2,725,675	(100,621)	(55,324)

Changes in Equity

for the year ended 31 March 2020

GROUP	Trust Equity	Retained Earnings	Total Equity
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	14,500,100	79,480,651	93,980,751
Balance at 1 April 2019	14,500,100	79,480,651	93,980,751
Profit for the year, being total comprehensive income		4,108,086	4,108,086
Balance at 31 March 2020	14,500,100	83,588,737	98,088,837

TRUST	Trust Equity	Retained Earnings	Total Equity
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	14,500,100	905,265	15,405,365
Balance at 1 April 2019	14,500,100	905,265	15,405,365
Loss for the year, being total comprehensive loss		(100,621)	(100,621)
Balance at 31 March 2020	14,500,100	804,644	15,304,744

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

Financial Position

as at 31 March 2020

	Notes	GROUP 2020 $	GROUP 2019 $	TRUST 2020 $	TRUST 2019 $
CURRENT ASSETS					
Cash and cash equivalents		209,600	961,583	45,895	31,786
Short term deposits		8,065,000	6,125,000	115,000	225,000
Trade and other receivables	5	3,368,229	2,947,511	8,726	9,256
Inventories	6	1,934,886	1,704,623	-	-
Work in progress		12,163	8,987	-	-
TOTAL CURRENT ASSETS		13,589,878	11,747,704	169,621	266,042
NON-CURRENT ASSETS					
Investments	9	-	-	14,000,000	14,000,000
Loan to Network Waitaki Limited	10	-	-	1,150,000	1,150,000
Property, plant and equipment	11	103,267,400	99,905,590	-	-
Right-of-use assets	12	1,115,394	-	-	-
Intangible assets	13	319,672	503,199	-	-
TOTAL NON-CURRENT ASSETS		104,702,466	100,408,789	15,150,000	15,150,000
TOTAL ASSETS		118,292,344	112,156,493	15,319,621	15,416,042
CURRENT LIABILITIES					
Trade and other payables	7	2,457,874	2,630,389	14,877	10,677
Employee entitlements	8	575,328	735,105	-	-
Lease liabilities	12	183,267	-	-	-
Tax payable		570,363	136,970	-	-
TOTAL CURRENT LIABILITIES		3,786,832	3,502,464	14,877	10,677
NON-CURRENT LIABILITIES					
Lease liabilities	12	960,382	-	-	-
Deferred tax	17	15,456,293	14,673,278	-	-
TOTAL NON-CURRENT LIABILITIES		16,416,675	14,673,278	-	-
TOTAL LIABILITIES		20,203,507	18,175,742	14,877	10,677
EQUITY					
Trust equity	14	14,500,100	14,500,100	14,500,100	14,500,100
Retained earnings	15	83,588,737	79,480,651	804,644	905,265
TOTAL EQUITY		98,088,837	93,980,751	15,304,744	15,405,365
TOTAL LIABILITIES AND EQUITY		118,292,344	112,156,493	15,319,621	15,416,042

For and on behalf of the Trust,

Chairman
8 July 2020

Trustee
8 July 2020

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

Cash Flows

for the year ended 31 March 2020

	Notes	GROUP 2020 $	GROUP 2019 $	TRUST 2020 $	TRUST 2019 $
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash was provided from:					
Receipts from customers		24,065,864	20,918,172	-	-
Interest received		231,161	254,493	73,298	75,897
		24,297,025	21,172,665	73,298	75,897
Cash was disbursed to:					
Payments to suppliers and employees		(15,029,363)	(13,441,747)	(172,841)	(127,146)
Income tax (paid)/received		(333,080)	(180,259)	-	4,896
Interest paid		(65,727)	-	-	-
Net GST (paid)/received		175,034	50,557	3,652	3,782
		(15,253,136)	(13,571,449)	(169,189)	(118,468)
NET CASH FROM OPERATING ACTIVITIES	4	9,043,889	7,601,216	(95,891)	(42,571)
CASH FLOWS FROM INVESTING ACTIVITIES					
Cash was provided from:					
Transfer from term deposits		110,000	920,000	110,000	70,000
		110,000	920,000	110,000	70,000
Cash was applied to:					
Transfer to term deposits		(2,050,000)	-	-	-
Purchase of property, plant and equipment		(7,682,139)	(8,970,376)	-	-
		(9,732,139)	(8,970,376)	-	-
NET CASH FROM INVESTING ACTIVITIES		(9,622,139)	(8,050,376)	110,000	70,000
CASH FLOWS FROM FINANCING ACTIVITIES					
Cash was applied to:					
Principal elements of lease liabilities		(173,733)	-	-	-
NET CASH FROM FINANCING ACTIVITIES		(173,733)	-	-	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS HELD		(751,983)	(449,160)	14,109	27,429
Cash and cash equivalents at beginning of the year		961,583	1,410,743	31,786	4,357
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		209,600	961,583	45,895	31,786

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

Notes to the Financial Statements

REPORTING ENTITY
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.

DATE OF APPROVAL
These financial statements have been approved for issue by the Trustees on 8 July 2020.

BASIS OF PREPARATION
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.

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.

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.

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.

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

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

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 it has 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.

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.

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.

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.

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.

Use of accounting estimates and judgements
The preparation of financial statements in conformity with NZ IFRS RDR requires management to make certain critical accounting estimates and judgements 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 judgements form the basis for making judgements about the carrying values of assets and liabilities, where these are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying judgements 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 judgements that have had the most significant impact on the amounts recognised in these financial statements:

- Network reticulation assets are depreciated at the rates provided by the OV handbook issued by the Commerce Commission in 2004. These rates are considered a reasonable estimate of useful lives.
- Easements are recorded at cost.

Further details and the accounting policies utilising these judgements are included in note 11 of these financial statements.

CoViD-19
On 11 March 2020, the World Health Organisation declared a global pandemic as a result of the outbreak and spread of CoViD-19. On 25 March New Zealand went into a stage 4 lockdown requiring all non-essential businesses employees cannot work from home to close for a four week period (extend by a further 5 days to 27 April 2020). Network Waitaki Limited is considered an essential business and was able to operate during the lockdown with essential services and maintenance being performed.

The Group has considered the impact of CoViD-19 on relevant balances and disclosures in the financial statements. As Network Waitaki Limited is an essential service and has continued to operate, there is no material impact on the Group financial statements.

New and amended standards adopted by the Group
Application of NZ IFRS 16: Leases
In the current year, the Group has adopted NZ IFRS 16: Leases for the first time in the annual reporting period commencing 1 April 2019. The Group had to change its accounting policies as a result of adopting NZ IFRS 16.

The Group elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1 April 2019, not restating comparatives for the 2019 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 April 2019. The new accounting policies are disclosed in note 12.

Until 31 March 2019, leases of property, plant and equipment where the Group, as lessee, had substantially all the risks and rewards of ownership were classified as finance leases. The Group did not have any leases that were in this category.

Leases in which a significant portion of the risks and rewards of ownership were not transferred to the Group as lessee were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit and loss on a straight-line basis over the period of the lease.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Initial indirect costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

Impact of the change

On adoption of NZ IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of NZ IAS 17 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the finance rate explicitly stated within the respective lease agreements. The weighted average financing rate applied to the lease liabilities on 1 April 2019 was 5.3%.

The Group had no leases previously classified as finance leases and therefore has no remeasurement adjustments upon the adoption of NZ IFRS 16.

Practical expedients applied

In applying NZ IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- Relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review
- Excluding initial direct costs for the measurement of the right-to-use asset at the date of initial application, and
- Using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Measurement of lease liabilities

	1 April 2019 $
Operating lease commitments disclosed as at 31 March 2019	3,150,517
(Less): Transpower costs reclassified	(1,583,405)
Restated operating lease commitments as at 31 March 2019	1,567,112
Discounted using the lessee's weighted average financing rate	(249,102)
Add/(less: adjustments relating to changes in the rate affecting variable payments	(629)
Lease liability recognised as at 1 April 2019	1,317,381
Of which are:	
Current lease liabilities	173,722
Non-current lease liabilities	1,143,659
	1,317,381

Measurement of right-to-use assets

The associated right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 1 April 2019

PERFORMANCE

1. OPERATING REVENUE

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 Group provides network lines services to customers allowing connection to the wider distribution network. Such services are recognised as a series of distinct goods or services and is recognised as one performance obligation satisfied over time as the customer simultaneously receives and consumes 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 Group constructs assets and provides related electrical connection services to customers to enable 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 and is based on the level of activity required to enable a connection. Payment is generally based on 50% 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, the Group 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 when the Group transfers the electrical work to the customer and when the customer pays for the electrical work being less than one year.

Contracting revenue

The Group provides contracting services to a range of customers including the provision of 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 Group reflecting the amount owing for services provided.

Metering revenue

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

1. OPERATING REVENUE (continued)

	GROUP 2020 $	GROUP 2019 $	TRUST 2020 $	TRUST 2019 $
Operating revenue comprises:				
Revenue recognised over time				
Network lines revenue	20,147,611	18,548,887	-	-
Revenue recognised at a point in time				
Capital contributions	1,829,496	1,790,631	-	-
Administration levy	132,998	140,404	-	-
Contracting	1,999,278	1,019,096	-	-
Fault recoveries	147,774	147,099	-	-
	4,109,546	3,097,230	-	-
Other Revenue				
Metering	541,413	537,429	-	-
Bad debts recovered	-	461	-	-
Fibre rent received	409,035	401,630	-	-
Rent received	28,008	16,554	-	-
Loss rental rebate	367,038	245,500	-	-
Other income	51,446	57,726	-	-
	1,396,940	1,259,300	-	-
	25,654,097	22,905,417	-	-

(i) As at 31 March 2020, the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) is $385,917, of which 100% will be recognised as revenue during the next reporting period.

(ii) $405,446 of revenue recognised in the reporting period was included in the contract liability balance at the beginning of the period.

2. OPERATING EXPENSES

	GROUP 2020 $	GROUP 2019 $	TRUST 2020 $	TRUST 2019 $
Operating expenses comprise:				
Operating costs	5,758,185	4,141,842	89,106	50,271
Directors' fees	229,835	227,045	-	-
Trustee fees	76,777	75,483	76,777	75,483
Donations	108,945	116,745	-	-
Audit fees – PwC	84,650	80,400	5,250	5,250
Other regulatory audits – PwC	43,159	35,040	-	-
Other regulatory audits –other firms	18,911	34,809	-	-
Rent	-	15,751	-	-
Bad debts written off	927	25,581	-	-
	6,321,389	4,752,696	171,133	131,004

3. DEPRECIATION, AMORTISATION AND IMPAIRMENT

	GROUP 2020 $	GROUP 2019 $	TRUST 2020 $	TRUST 2019 $
Depreciation of PPE comprises:				
Buildings	83,189	69,551	-	-
Network reticulation system	3,068,851	2,989,035	-	-
Meters and relays	7,830	20,346	-	-
Plant and equipment	777,214	694,698	-	-
Fibre network	182,432	182,308	-	-
Intangibles	219,225	193,718	-	-
Total depreciation of PPE	4,338,741	4,149,656	-	-
Loss on disposal of property, plant and equipment	165,115	240,146	-	-
Total depreciation, amortisation and impairment of PPE	4,503,856	4,389,802	-	-
Depreciation if right-to-use assets comprises:				
Network reticulation system	177,942	-	-	-
Plant and equipment	24,046	-	-	-
Total depreciation of right-to-use assets	201,988	-	-	-
Total depreciation, amortisation and impairment	4,705,844	4,389,802	-	-

4. RECONCILIATION OF NET PROFIT WITH CASHFLOW FROM OPERATING ACTIVITIES

	GROUP 2020 $	GROUP 2019 $	TRUST 2020 $	TRUST 2019 $
Net profit/(loss) for the year	4,108,086	2,725,675	(100,621)	(55,324)
Add / (less) non-cash items:				
Depreciation and amortisation	4,705,844	4,389,802	-	-
Deferred taxation	783,015	806,691	-	-
	5,488,859	5,196,493	-	-
Add / (less) movements in working capital items:				
(Increase) / decrease in trade and other receivables	(418,468)	(535,567)	2,780	2,930
(Increase) / decrease in inventories	(230,263)	(352,319)	-	-
(Increase) / decrease in work in progress	(3,176)	(8,409)	-	-
Increase / (decrease) in tax payable	433,393	226,342	-	4,896
Increase / (decrease) in trade and other payables	(174,765)	280,066	1,950	4,927
Increase / (decrease) in employee entitlements	(159,777)	68,935	-	-
	(553,056)	(320,952)	4,730	12,753
Net cash flows from operating activities:	9,043,889	7,601,216	(95,891)	(42,571)

WORKING CAPITAL

5. 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.

	GROUP		TRUST	
	2020 $	2019 $	2020 $	2019 $
Trade receivables	2,866,974	2,413,063	-	-
Loss allowance	(94,897)	(54,277)	-	-
Total receivables	2,772,077	2,358,786	-	-
Other receivables	327,389	370,161	2,124	4,910
Prepayments	264,049	216,100	1,888	1,882
GST	4,714	2,464	4,714	2,464
Balance at the end of the year	3,368,229	2,947,511	8,726	9,256
Less non-current trade receivables	-	-	-	-
Current trade and other receivables	3,368,229	2,947,511	8,726	9,256
Trade and other receivables less than 90 days old	3,273,332	2,884,032	8,726	9,256
Trade and other receivables greater than 90 days old	94,897	63,479	-	-
	3,368,229	2,947,511	8,726	9,256

6. INVENTORIES

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.

Stores inventory	1,934,886	1,704,623	-	-

7. 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 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.

Trade payables	1,495,447	1,607,927	-	-
Accruals	375,635	587,523	14,877	10,677
Contract liability - capital contributions	385,917	405,446	-	-
GST payable	200,875	29,493	-	-
Balance at end of year	2,457,874	2,630,389	14,877	10,677

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

7. TRADE AND OTHER PAYABLES (continued)

	GROUP 2020 $	GROUP 2019 $	TRUST 2020 $	TRUST 2019 $
Contract liability – capital contributions				
Opening balance	405,446	279,321	-	-
Amount of transaction price received for unsatisfied performance obligations	1,942,965	2,057,160	-	-
Revenue recognized from performance obligations satisfied	(1,962,494)	(1,931,035)	-	-
Closing balance	385,917	405,446	-	-

8. 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.

	GROUP 2020 $	GROUP 2019 $	TRUST 2020 $	TRUST 2019 $
Annual leave entitlements	497,944	616,142	-	-
Other entitlements	77,384	118,963	-	-
Total employee entitlements	575,328	735,105	-	-

Non-current Assets

9. INVESTMENTS

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 2018	14,000,000
Movement for the year	-
Closing balance as at 31 March 2019	14,000,000
Opening balance as at 1 April 2019	14,000,000
Movement for the year	-
Closing balance as at 31 March 2020	14,000,000

10. ADVANCES TO SUBSIDIARIES

Waitaki Power Trust advance to Network Waitaki Limited

	Loan $
Opening balance as at 1 April 2018	1,150,000
Movement for the year	-
Closing balance as at 31 March 2019	1,150,000
Opening balance as at 1 April 2019	1,150,000
Movement for the year	-
Closing balance as at 31 March 2020	1,150,000

11. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment comprise mainly buildings, land, meters and relays, and office equipment. Buildings, meters and relays 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 comprises mainly low voltage, 11kV and 33kV conductor and associated transformers and substations. Reticulation assets are shown at deemed cost less subsequent depreciation and impairment write-down. Reticulation assets are depreciated at the rates provided by the ODV handbook issued by the Commerce Commission in 2004. These rates are considered a reasonable estimate of useful lives.

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 are recorded at cost. 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.

11. PROPERTY, PLANT AND EQUIPMENT (continued)

Depreciation of Property, Plant and Equipment 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 assets are depreciated on a straight line basis; other assets are depreciated using both straight line and diminishing value.

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	14.3% 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.

WORK IN PROGRESS

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

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.

11. PROPERTY, PLANT AND EQUIPMENT (continued)

GROUP

	Network reticulation system $	Land & buildings $	Meters and relays $	Fibre network $	Plant and equipment $	Total $
Gross carrying amount						
At 1 April 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
Additions	6,562,038	252,681	-	-	1,033,171	7,847,890
Disposals	(557,039)	-	-	-	(187,093)	(744,132)
At 31 March 2020	131,749,653	3,943,632	2,595,397	2,604,400	8,144,561	149,037,643
Accumulated depreciation and impairment						
At 1 April 2018	31,613,254	540,268	2,563,250	1,366,522	3,313,399	39,396,693
Charge for the 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
Charge for the year	3,068,851	83,189	7,830	182,432	777,214	4,119,516
Disposals	(309,487)	-	-	-	(186,592)	(496,079)
At 31 March 2020	37,030,733	693,008	2,591,426	1,731,262	4,597,791	46,644,220
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
At 31 March 2020	94,718,920	3,250,624	3,971	873,138	3,546,770	102,393,423
Work in progress	824,288	29,388	-	-	20,301	873,977
	95,543,208	3,280,012	3,971	873,138	3,567,071	103,267,400

The Trust has no property, plant and equipment.

12. LEASES

Until the 2019 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases. From 1 April 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- Amounts expected to be payable by the Group under residual value guarantees
- The exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- Payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally not the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in similar economic environment with similar terms, security and conditions.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit and loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

	GROUP		TRUST	
	2020 $	2019 $	2020 $	2019 $
Current	183,267	-	-	-
Non-current	960,382	-	-	-
Total lease liabilities	1,143,649	-	-	-

Interest expenses on these leases totalling $65,727 (2019: Nil) is included in finance costs in the income statement.

Lessees – Operating leases

	GROUP 2020	GROUP 2019	TRUST 2020	TRUST 2019
No later than one year	-	239,460	-	-
Later than one year and no later than five years	-	922,523	-	-
Later than five years	-	405,129	-	-
	-	1,567,112	-	-

Prior year comparatives for operating leases have been adjusted to reflect the reclassification of some Transpower costs.

RIGHT-OF-USE ASSETS

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability
- Any lease payments made at or before the commencement date less any lease incentives received
- Any initial direct costs, and
- Restoration costs

Right-of-use assets are generally depreciated over the shorter of the assets useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying assets useful life.

12. LEASES (continued)

GROUP
Right-of-use assets

	Network reticulation system $	Plant and equipment $	Total $
Gross carrying amount			
At 31 March 2019	-	-	-
Adoption of NZ IFRS 16	1,228,833	88,549	1,317,382
1 April 2019	1,228,833	88,549	1,317,382
At 31 March 2020	1,228,833	88,549	1,317,382
Accumulated depreciation and impairment			
At 31 March 2019	-	-	-
Charge for the year	177,942	24,046	201,988
Terminated leases	-	-	-
At 31 March 2020	177,942	24,046	201,988
Net book values			
At 31 March 2019	-	-	-
Adoption of NZ IFRS 16	1,228,833	88,549	1,317,382
1 April 2019	1,228,833	88,549	1,317,382
At 31 March 2020	1,050,891	64,503	1,115,394

The Trust has no right-of-use assets.

LEASE INCOME

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Initial indirect costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective lease assets are included in the balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

	GROUP		TRUST	
	2020 $	2019 $	2020 $	2019 $
No later than one year	427,774	434,502	-	-
Later than one year and no later than five years	1,650,367	1,641,216	-	-
Later than five years	4,379,231	4,721,841	-	-
	6,457,372	6,797,559	-	-

13. 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%

GROUP	2020 $	2019 $
Purchased software		
Gross carrying amount		
Opening balance	1,810,132	1,710,499
Additions	8,819	99,633
Disposals	(348,482)	-
Closing balance	1,470,469	1,810,132
Accumulated amortisation and impairment		
Opening balance	1,306,933	1,113,215
Charge for year	219,225	193,718
Disposals	(348,482)	-
Closing balance	1,177,676	1,306,933
Net book value	292,793	503,199
Work in progress	26,879	-
Carrying amount	319,672	503,199

The Trust has no intangible assets.

Net debt and equity

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.

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

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.

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.

Borrowing costs
Borrowing costs for assets are capitalised when the construction period for qualifying assets is greater than nine months. The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is the current borrowing from financial markets.

14. TRUST EQUITY

	GROUP 2020 $	GROUP 2019 $	TRUST 2020 $	TRUST 2019 $
Fully paid-up trust equity	14,500,100	14,500,100	14,500,100	14,500,100

This is the Trust's equity and not that of Network Waitaki Limited.

15. RETAINED EARNINGS

	GROUP 2020 $	GROUP 2019 $	TRUST 2020 $	TRUST 2019 $
Balance at beginning of the year	79,480,651	76,754,976	905,265	960,589
Net surplus / (deficit) for the year	4,108,086	2,725,675	(100,621)	(55,324)
Balance at the end of the year	83,588,737	79,480,651	804,644	905,265

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.

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.

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.

Liquidity risk (continued)
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 16 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.

16. ANALYSES OF FINANCIAL LIABILITIES

GROUP

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
31 March 2019				
Trade and Other Payables	2,630,389	-	-	-
Employee Entitlements	735,105	-	-	-
Total	3,365,494	-	-	-
31 March 2020				
Trade and Other Payables	2,457,874	-	-	-
Employee Entitlements	575,328	-	-	-
Total	3,033,202	-	-	-

TRUST

31 March 2019				
Trade and Other Payables	10,677	-	-	-
31 March 2020				
Trade and Other Payables	14,877	-	-	-

Other

17. 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 the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

	GROUP		TRUST	
	2020 $	2019 $	2020 $	2019 $
Tax expense for period made up of:				
Income tax expense	766,474	406,601	-	-
Deferred taxation expense	783,015	806,691	-	-
	1,549,489	1,213,292	-	-
Operating surplus before income tax	5,657,575	3,938,967	(100,621)	(55,324)
Prima facie taxation	1,579,089	1,100,145	(33,205)	(18,257)
Movement in income tax due to:-				
Non-deferred tax differences				
Non-deductible expenses	24,299	32,333	-	-
Prior period adjustment	(87,104)	62,557	-	-
Trust loss not recognised	33,205	18,257	33,205	18,257
	(29,600)	113,147	33,205	18,257
Tax Expense	1,549,489	1,213,292	-	-
Deferred tax movements				
Capital contributions	(53,709)	(94,053)	-	-
Prior period adjustments	-	(556,224)	-	-
Depreciation	(692,044)	(197,331)	-	-
Other	(37,262)	40,917	-	-
	(783,015)	(806,691)	-	-
Current income tax expense	766,474	406,601	-	-

GROUP DEFERRED TAX

	Depreciation	Other	Total
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

	Depreciation	Other	Total
Opening balance as at 1 April 2019	12,494,031	2,179,247	14,673,278
Change in the year	692,044	90,971	783,015
Closing balance as at 31 March 2020	13,186,075	2,270,218	15,456,293

Waitaki Power Trust tax loss carried forward for 2020 is $1,049,613 (2019: $948,992).

18. RELATED PARTY TRANSACTIONS

Payments from Waitaki Power Trust to Network Waitaki Limited

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

Loan Outstanding at Balance Date	1,150,000	1,150,000

Payments from Network Waitaki Limited to Waitaki Power Trust

Interest	63,423	66,355
Outstanding Balance at Balance Date	-	-

Payments from Network Waitaki Limited to A.J. Wood Chartered Accountants Limited

A.J. Wood Chartered Accountants Ltd is related to Network Waitaki Limited through its director, Tony Wood, who is a shareholder and director of A. J. Wood Chartered Accountants Ltd.

Directors Fees	34,366	33,951

Payments from Network Waitaki Limited to Berry & Co

Berry & Co is related to Network Waitaki Limited through its director, Michael de Buyzer, who is partner of Berry & Co.

Purchase of goods and services	6,115	7,038

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 shareholder of Clements Electrical Limited.

Contracting services	59,798	50,185
Payments outstanding at balance date – trade payables	3,407	22,902

Payments from Clements Electrical 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 shareholder of Clements Electrical Limited.

Contracting services	15,665	24,366
Lease of land and buildings at Otematata	-	7,245
Payments outstanding at balance date – trade receivables	61	-

Payments from Kurow-Duntroon Irrigation Company Limited to Network Waitaki Limited

Kurow-Duntroon Irrigation Company Limited is related to Network Waitaki Limited through John Webster being a trustee of the Waitaki Power Trust and being a director of Kurow-Duntroon Irrigation Company Limited.

Contracting services	614,932	91,590

Payments from Network Waitaki Limited to Lone Wolf Enterprises Limited

Lone Wolf Enterprises Limited is related to Network Waitaki Limited through its director, Jonathan Kay, who is a shareholder and director of Lone Wolf Enterprises Limited.

Directors Fees	25,842	-

Payments from Network Waitaki Limited to Original Performance Solutions Limited

Original Performance Solutions Limited is related to Network Waitaki Limited through its director, Chris Bailey, who is a shareholder and director of Original Performance Solutions Limited.

Directors Fees	34,367	33,951

Payments from Network Waitaki Limited to Whitestone Contracting Limited

Whitestone Contracting Limited is related to Network Waitaki Limited through its Chairman, Michael de Buyzer, who is Chairman and a director of Whitestone Contracting Limited.

Purchase of goods and services	944,842	537,782

Payments from Network Waitaki Limited to key management personnel

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

Employee Costs	1,420,492	1,568,097

19. CAPITAL COMMITMENTS

	GROUP 2020 $	GROUP 2019 $	TRUST 2020 $	TRUST 2019 $
Network assets	264,464	394,000	-	-
Non-network assets	254,597	151,000	-	-
Total	519,061	545,000	-	-

20. CONTINGENT LIABILITIES

The Group has no contingent liabilities as at 31 March 2020 (2019 Nil).

Independent auditor's report

To the Trustees of Waitaki Power Trust

We have audited the financial statements which comprise:

- the financial position as at 31 March 2020;
- the comprehensive income for the year then ended;
- the changes in equity for the year then ended;
- the 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 2020, 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 and financial modelling consultancy services. 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.

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:

PricewaterhouseCoopers

Chartered Accountants
8 July 2020

Dunedin