



WAITAKI POWER TRUST

For the year ended 31 March 2021



2021 ANNUAL REPORT

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DIRECTORY

TRUSTEES:

John Clements (Chairman)
Dr Helen Brookes (to May 2021)
Doreen Cleave
Herbert Tonkin
John Webster

SECRETARY:

Faye Ormandy

SOLICITORS:

Berry & Co
Eden Street
Oamaru

BANKERS:

ANZ
The Octagon
Dunedin 9054

AUDITORS:

Nathan Wylie
PricewaterhouseCoopers
Dunedin

WEBSITE:

www.waitakipowertrust.co.nz

Annual Review



DR. HELEN BROOKES

Before reporting on the financial year to 31 March 2021, Trustees wish to acknowledge the immense contribution Dr Helen Brookes made to the Waitaki Power Trust. Dr Helen Florence Brookes passed away on 28 May this year having been elected to the Trust, 19 years ago in October 2002, and was Chairman for much of that time.

She will be remembered for the submissions she put together lobbying politicians and regulators on behalf of our Consumers, for having a grasp and knowledge of New Zealand's electricity industry that few have, and for always making sure, whether it was Waitaki Power Trust or ETNZ, that the constitution was being followed and that whatever Trustees were agreeing to do, that it benefited the Consumer.

2021 REVIEW

Change seems to be the norm and the 2021 year has been no exception. The Trust's focus remains firmly entrenched in advocating for our consumers and ensuring a safe and reliable network.

The energy sector will see many changes and Network Waitaki and the Trust need to be well equipped to face and grasp the challenges and opportunities as they arise. Government intervention in legislation and policy changes mixed with electricity pricing means no more business as usual. We will have to step up and keep abreast of all the new developments.

The Trust and Network Waitaki have worked closely together to increase the understanding of the Waitaki Power Trust's role with our consumers. It is a team approach that is paramount to a successful business and Trustees acknowledge, in what has been a difficult year for many, that Network Waitaki Limited has had a very good year.

KEY ACTIVITIES OF THE TRUST

This year Trustees have endeavoured to raise the profile to the Trust amongst consumers and provide extra benefits with initiatives such as helping Network Waitaki to distribute Ecobulbs and having our own stand at the A&P show. Behind the scenes we have started the process of ensuring our Trust Deed remains in line with new Trust Act 2019 legislation, Network Waitaki's constitution and the Companies Act 2013.

A submission was made to the Commerce Commission regarding its levy fees for the electricity industry and a request was made to the Auditor-General for a performance audit of the Electricity Authority's process when reforming the transmission pricing methodology.

As always, the consumer is the first thing we consider when making any decision and will advocate for the consumer whenever this is required.

ENERGY TRUSTS OF NEW ZEALAND (ETNZ) CONFERENCES

Because of Covid-19 the May 2020 conference was cancelled. The November 2020 Conference held in Wellington was attended by Trustees John Clements, Herb Tonkin and Doreen Cleave.

Trustees believe it is important to have a cohesive ETNZ national organisation representing them and an organisation that is fully supported by all of New Zealand's twenty-two energy trusts. ETNZ is reviewing its constitution and strategic plan to bring its objectives back to focussing strongly on good outcomes for consumers and the communities energy trusts operate in.

APPOINTMENT OF DIRECTORS

One of the more important jobs as a trustee on the Waitaki Power trust is the appointment of the Directors to Network Waitaki Limited and the ongoing task of ensuring that the Company is a successful business and efficiently distributes electricity.

The Trust's Director Appointment policy sets out the guidelines for the appointment of Directors. The current Trust strongly believes in having the best talent around the Board table with all the skills required to run Network Waitaki as an efficient lines company.

The feedback we have had over the last year indicates that Network Waitaki has an extremely capable and enthusiastic Board of Directors all of whom contribute impressively under the excellent Chairmanship of Chris Dennison. Directors retire by rotation every 3 years and in 2020 the Directors up for appointment were Chris Dennison and Chris Bailey. Both were reappointed to the Board.

BENEFITS OF TRUST OWNERSHIP

Each year the Trust agrees the objectives of Network Waitaki with the Board through the setting of the Statement of Corporate Intent (SCI). The SCI seeks to achieve a balance between financial performance of the business to make an appropriate return on investment to fund the required growth and replacement of the network, ensure reliability of supply and the return of benefits to consumers.

This year we have been delighted to see \$157,386 allocated to 43 local groups through the sponsorship programme including the high-profile sponsorship of the Otago Rescue Helicopter Trust.

Network Waitaki now employs around 80 local staff and made payments of \$11.8 million to local staff and suppliers during the 2021 financial year. They continue to offer training opportunities and scholarships to pupils from local schools. There are currently seven apprentices and three graduate engineers working in the business which will ensure there is a capable future workforce.

Discounts on electricity bills continue to be one of the more substantial ways in which we share the benefit of trust ownership and this year \$1.48 million was distributed to our connected customers. 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 are available from NWL's website.

Network Waitaki and the Waitaki Power Trust ran a highly successful EcoBulb promotion which distributed over 30,000 energy efficient LED lightbulbs to homes and businesses across the district and going forward will be involved in a campaign to raise awareness of being safe around electricity, energy efficiency and saving money on your power bill.

Meanwhile, Network Waitaki's line charges have remained consistently competitive with other lines companies and it continues to provide good service at a reasonable price.

NETWORK WAITAKI'S PERFORMANCE

The performance of Network Waitaki during the year has been stunning. COVID-19 was challenging for most and the leadership of Network Waitaki rose to the challenge, working practices were re-organised and the lights stayed on.

With the start of the financial year happening during the COVID-19 lockdown period there was certainly uncertainty how the business would perform financially. This was short-lived as strong revenue from increased energy volumes, high levels of capital contributions and external contracting projects saw total revenue of \$29.1m outperform targets and previous year (2020: \$25.7m).

Network lines revenue outperformed budgets due to climatic conditions and increased irrigation demand - \$21.4 million (2020: \$20.1 million). Capital Contributions which reflect the network's growth continue to be a major factor in the profitability of the company - \$2.1 million (2020: \$1.8 million). External contracting revenue grew to \$3.6 million (2020: \$2.0 million) arising from targeted growth outside the district. Revenue from other activities, including Fibre and Metering at \$1.6 million was consistent with previous years (2020: \$1.4m).

The overall net result was spectacular when compared to the Statement of Corporate Intent and the staff of Network Waitaki are to be congratulated.

Annual Review (continued)

FINANCIAL PERFORMANCE

Network Waitaki's Performance against the 2021 Statement of Corporate Intent

STATEMENT OF COMPREHENSIVE INCOME FOR YEAR ENDED 31 MARCH 2021

	ACTUAL \$	SCI \$	VARIANCE \$
Statement of Comprehensive Income			
Revenue Excluding Capital Contributions	27,044,323	21,460,340	5,583,983
Capital Contributions	2,075,307	1,712,000	363,307
Total Revenue	29,119,630	23,172,340	5,947,290
Less Expenses Excluding Depreciation	(14,193,128)	(12,852,856)	(1,340,272)
Less Depreciation	(5,014,548)	(4,871,287)	(143,261)
Net Profit before Discount and Tax	9,911,954	5,448,197	4,463,757
Less Discount	(1,481,696)	(1,000,000)	(481,696)
Net Profit Before Taxation	8,430,258	4,448,197	3,982,061
Less Taxation	(2,180,705)	(1,245,495)	(935,210)
Net Profit After Discount and Taxation	6,249,553	3,202,702	3,046,851

Comment

Strong revenue from higher electricity volumes to irrigators and expansion of our contracting business to external customers drove the financial performance for the year with higher than budgeted revenue (\$5.9m up on SCI target) resulting in improved profit before discount and tax (\$4.5m up on SCI target).

BALANCE SHEET AS AT 31 MARCH 2021

	ACTUAL \$	SCI \$	VARIANCE \$
Shareholders' Equity	103,033,646	99,401,355	3,632,291
Current Assets	14,945,970	7,694,374	7,251,596
Current Liabilities	6,282,034	3,732,130	2,549,904
Working Capital	8,663,936	3,962,244	4,701,692
Non-Current Assets	112,102,328	111,911,079	191,249
Non-Current Liabilities	17,732,618	16,471,968	1,260,650
Total Net Assets	103,033,646	99,401,355	3,632,291

Comment

Stronger than expected profitability has generated higher than expected cash reserves and an improved equity position at year end.

Key Financial Reporting Measures

	ACTUAL	SCI	VARIANCE
NPBT to Shareholder Funds	8.18%	4.47%	3.71%
Net Assets per Share	\$7.36	\$7.10	\$0.26
NPBT Earnings per Share in Cents	60.22	31.77	28.45
Ratio of Shareholders' Funds to Total Assets	81.10%	83.11%	(2.01%)
Rate of Return After Tax on Shareholder Funds	6.07%	3.22%	2.85%

Comments

Improved profitability through revenue growth has seen improvement in all key profitability metrics. Higher tax liabilities and an investment into a private network, not due for cash settlement until the new financial year has resulted in higher than planned liabilities which resulted in a lower than expected ratio of shareholder funds to total assets.

Annual Review (continued)

NON-FINANCIAL PERFORMANCE

Overall reliability was favourable to target, with unplanned outages only slightly above SCI targets and planned outages remain within targets and reflects the long-term investment Network Waitaki places in its network infrastructure.

This year capital expenditure on the reticulation system was \$8.0 million (2020: \$6.5 million). Total capital expenditure, including purchase of a private high voltage network, and other non-network assets such as plant and equipment was \$10.9m (2020: \$7.9m).

Waitaki Power Trust appreciates the addition of Health and Safety reporting within the Statements of Service Performance and are pleased to report Network Waitaki has SafeSite accreditation of Gold Standard.

Trustees are proud that Network Waitaki is one of the most reliable and safe electricity distribution businesses in New Zealand.

Non-Financial Performance Measures

Reliability	ACTUAL	SCI	VARIANCE
SAIDI minutes (unplanned)	46.3	45.0	(1.3)
SAIDI minutes (planned)	100.4	105.0	4.6
SAIDI minutes total	146.7	150.0	3.3
SAIFI minutes (unplanned)	0.80	0.80	-
SAIFI minutes (planned)	0.38	0.40	0.02
SAIFI total	1.18	1.20	0.02

Comments

Reliability statistics for our network were in line with our target, despite the significant impact of the Ohau and Livingstone fire outages in October 2020.

Health and Safety

Lost Time Injury Frequency Rate (LTIFR*)	1.39	1.35	(0.04)
Total Recordable Injury Frequency Rate (TRIFR*)	2.78	2.65	(0.13)
Public Safety Management System Accreditation (NZS7901)	Achieved	Achieved	-
Review of Critical Risks	2	2	-
WorkWell (Health and Wellbeing) Programme Accreditation	Implementation	Implementation	-
SiteSafe Contractor Accreditation	Achieved	Achieved	-

Comments

The injury rates were slightly above target due to one lost time injury and two restricted work injuries recorded for the year. The Public Safety Management Systems audit was achieved to NZS7901-2008 and 7901-2014 standards. The SiteSafe accreditation was updated to Gold standard in line with recent category changes made by SiteWise. Reviews of critical risks were completed.

* Hours worked used in the calculation of LTIFR and TRIFR is based on actual hours worked for waged employees and estimated as 40 hours per work for salaried employees.

Annual Review (continued)

KEY BUSINESS ACTIVITIES

Main focuses for Network Waitaki in the 2021 year have been:

- Ongoing development of organisational culture, capability and safety performance.
- Increase focus on improving customer service and community engagement.
- Continued investigation and planning toward resolving the transmission constraint into the region, including the possibility of a new Grid Exit Point or a cost-effective alternative option.
- Continual network upgrades and maintenance to ensure safety and reliability.
- Developing a team that punches above its weight with new innovative ideas with a good safety record.
- Upskilling of staff, including Trustees, to face the new challenges.

The company completed several major projects last year, including building the first half of a new 33/66kV subtransmission line between the Five Forks and Maheno substations. The rest of this line will be completed by the end of 2021. This line will increase security of supply to these areas, including Herbert and Hampden, and will accommodate load growth which has occurred in these areas.

Maintenance of the network to ensure safety and reliability is a priority, with a focus on overhead network performance, pole replacements, and minimising public safety risk from our assets and operations.

Growth of the Contracting team has been a focus for the year, including expanding the Electrical Services capability, as well as bringing Vegetation Management services back in-house after an extended period of this being contracted out.

ACKNOWLEDGEMENTS

As Chairman of the Trust I would like to thank my fellow Trustees for their input, attention to detail and for always remembering our Consumers. To the Network Waitaki staff, Directors and Chief Executive a very sincere 'thank you' for the work you do for the Company and our community and finally, Faye Ormandy, our Waitaki Power Trust Secretary for her assistance. Thank you Faye.



.....
Chairman, John Clements



.....
Trustee, Doreen Cleave



.....
Trustee, John Webster



.....
Trustee, Herbert Tonkin

Trustees' Report

GENERAL DISCLOSURES

The Trustees present their Annual Report together with Audited Financial Statements for the year ended 31 March 2021.

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 \$69,897 (loss for 2020 was \$100,621).

DONATIONS

No donations were made during the 2020 or 2021 years by the Trust; however donations were made by Network Waitaki Limited. Donations made by Network Waitaki Limited amounted to \$157,386 (excluding GST) in 2021 and \$108,945 in 2020.

REMUNERATION OF TRUSTEES AND DIRECTORS

Remuneration paid to Trustees:

	Trustee Fees
Dr. Helen Brookes	\$14,599
Doreen Cleave	\$14,599
John Clements	\$19,676
Herbert Tonkin	\$14,599
John Webster	\$14,599
Total Trustees' fees	\$78,072

Remuneration paid to Directors:

Shareholders authorised total Directors' remuneration of \$230,426 for activities undertaken by Directors on behalf of the company.

	Total Directors' fees paid
Chris Bailey	\$34,455
Michael de Buyzer	\$34,455
Chris Dennison	\$58,151
Jonathan Kay	\$34,455
Mike Underhill	\$34,455
Tony Wood	\$34,455
Total Directors' fees	\$230,426

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	9
\$110,000 - \$119,999	1
\$120,000 - \$129,999	3
\$130,000 - \$139,999	4
\$140,000 - \$149,999	1
\$150,000 - \$159,999	2
\$190,000 - \$199,999	1
\$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.

Trustees' Report (continued)

USE OF TRUST INFORMATION

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

TRUSTEES' AND DIRECTORS' BENEFITS

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

TRUSTEES' AND DIRECTORS' INDEMNITY LIABILITY INSURANCE

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

SPONSORSHIPS AND DONATIONS

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

Anglican Family Care Inc	391	Oamaru Combined Churches Christmas Parcels Trust	2,000
Awakino Alpine Charitable Trust	1,400	Oamaru Free Kindergarten Assoc	225
Awamoa Football Club	1,092	Oamaru Pacific Island Community Group Inc	3,000
CCS Disability Action Waitaki Inc	600	Oamaru Squash & Badminton Club	6,087
Duntroon Hall Committee	500	Oamaru Tap Dancing Assn	1,000
Excelsior Rugby and Associated Sports Club	2,174	Oamaru Whitestone Civic Trust	6,957
Football Waitaki Inc	930	Otago Rescue Helicopter	25,000
Friends of Alps 2 Ocean Inc	5,000	Presbyterian Support Otago Inc	2,609
Hampden Community Energy Society Inc	2,500	Saints Trampoline Club	2,000
Kurow Rugby Football Club Inc	10,000	Sport Otago	4,600
Meadowbank United Football Club Inc	3,520	St Kevin's College	1,016
Nichol's Blacksmith Historic Trust	500	The North Otago Lawn Tennis Assoc Ltd	3,000
North Otago Asthma Society Inc	1,500	Union Cricket Club (Oamaru) Inc	2,000
North Otago Basketball Association Inc	3,500	Valley Rugby Football Club	5,326
North Otago Cricket Association	5,000	Waiakarua and Waiareka Valley Lions Club	1,000
North Otago Recreational Turf Trust	8,000	Waitaki Boys High School	3,478
North Otago Rock and Mineral Club Inc	2,500	Waitaki Community Recreation Centre	1,304
North Otago Rugby Football Union	8,000	Waitaki Girls' High School	2,957
North Otago Sports Bodies Assn Inc	5,000	Waitaki Multicultural Council	3,000
North Otago Toy Library	298	Waitaki Road Safe	2,117
North Otago Youth Support Trust	1,739	Waitaki Whitestone Geopark Trust	1,366
Oamaru Athletic Marist Rugby Football Club Inc	487	Weston School	3,781
Oamaru Blue Light Inc	2,000		

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

AUDITORS

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

For and on behalf of the Trust,



Chairman
7 July 2021



Trustee
7 July 2021

Comprehensive Income

for the year ended 31 March 2021

	Notes	GROUP		TRUST	
		2021	2020	2021	2020
		\$	\$	\$	\$
Operating revenue	1	29,119,630	25,654,097	-	-
Customer discount		(1,481,696)	(1,166,985)	-	-
		<u>27,637,934</u>	<u>24,487,112</u>	-	-
<i>Less</i>					
Operating expenses	2	(6,496,999)	(6,321,389)	(124,643)	(171,133)
Transmission		(4,082,500)	(4,524,724)	-	-
Employee costs		(3,759,949)	(3,440,228)	-	-
Depreciation, amortisation and impairment	3	(5,014,548)	(4,705,844)	-	-
Operating profit		<u>8,283,938</u>	<u>5,494,927</u>	<u>(124,643)</u>	<u>(171,133)</u>
Finance income		118,041	228,375	54,746	70,512
Finance costs		(41,618)	(65,727)	-	-
Finance income net		<u>76,423</u>	<u>162,648</u>	<u>54,746</u>	<u>70,512</u>
Profit before tax		8,360,361	5,657,575	(69,897)	(100,621)
Taxation	18	(2,180,705)	(1,549,489)	-	-
		<u>6,179,656</u>	<u>4,108,086</u>	<u>(69,897)</u>	<u>(100,621)</u>
Net profit/(loss) for the year		<u>6,179,656</u>	<u>4,108,086</u>	<u>(69,897)</u>	<u>(100,621)</u>
Other comprehensive income		-	-	-	-
Total comprehensive income/(loss)		<u>6,179,656</u>	<u>4,108,086</u>	<u>(69,897)</u>	<u>(100,621)</u>

Changes in Equity

for the year ended 31 March 2021

GROUP	Trust Equity	Retained Earnings	Total Equity
Balance at 1 April 2019	14,500,100	79,480,651	93,980,751
Profit for the year, being total comprehensive income	-	<u>4,108,086</u>	<u>4,108,086</u>
Balance at 31 March 2020	<u>14,500,100</u>	<u>83,588,737</u>	<u>98,088,837</u>
Balance at 1 April 2020	14,500,100	83,588,737	98,088,837
Profit for the year, being total comprehensive income	-	<u>6,179,656</u>	<u>6,179,656</u>
Balance at 31 March 2021	<u>14,500,100</u>	<u>89,768,393</u>	<u>104,268,493</u>
TRUST	Trust Equity	Retained Earnings	Total Equity
Balance at 1 April 2019	14,500,100	905,265	15,405,365
Loss for the year, being total comprehensive loss	-	<u>(100,621)</u>	<u>(100,621)</u>
Balance at 31 March 2020	<u>14,500,100</u>	<u>804,644</u>	<u>15,304,744</u>
Balance at 1 April 2020	14,500,100	804,644	15,304,744
Loss for the year, being total comprehensive loss	-	<u>(69,897)</u>	<u>(69,897)</u>
Balance at 31 March 2021	<u>14,500,100</u>	<u>734,747</u>	<u>15,234,847</u>

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

Financial Position

as at 31 March 2021

	Notes	GROUP		TRUST	
		2021	2020	2021	2020
		\$	\$	\$	\$
CURRENT ASSETS					
Cash and cash equivalents	14	9,602,566	209,600	65,761	45,895
Short term deposits		30,000	8,065,000	30,000	115,000
Trade and other receivables	5	3,215,064	3,368,229	5,278	8,726
Inventories	6	2,008,970	1,934,886	-	-
Work in progress		190,409	12,163	-	-
TOTAL CURRENT ASSETS		15,047,009	13,589,878	101,039	169,621
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	110,759,673	103,267,400	-	-
Right-of-use assets	12	890,230	1,115,394	-	-
Intangible assets	13	452,425	319,672	-	-
TOTAL NON-CURRENT ASSETS		112,102,328	104,702,466	15,150,000	15,150,000
TOTAL ASSETS		127,149,337	118,292,344	15,251,039	15,319,621
CURRENT LIABILITIES					
Trade and other payables	7	4,011,615	2,457,874	16,192	14,877
Employee entitlements	8	688,144	575,328	-	-
Lease liabilities	12	191,960	183,267	-	-
Tax payable		1,406,507	570,363	-	-
TOTAL CURRENT LIABILITIES		6,298,226	3,786,832	16,192	14,877
NON-CURRENT LIABILITIES					
Lease liabilities	12	741,113	960,382	-	-
Deferred tax	18	15,841,505	15,456,293	-	-
TOTAL NON-CURRENT LIABILITIES		16,582,618	16,416,675	-	-
TOTAL LIABILITIES		22,880,844	20,203,507	16,192	14,877
EQUITY					
Trust equity	15	14,500,100	14,500,100	14,500,100	14,500,100
Retained earnings	16	89,768,393	83,588,737	734,747	804,644
TOTAL EQUITY		104,268,493	98,088,837	15,234,847	15,304,744
TOTAL LIABILITIES AND EQUITY		127,149,337	118,292,344	15,251,039	15,319,621

For and on behalf of the Trust,



Chairman
7 July 2021



Trustee
7 July 2021

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

Cash Flows

for the year ended 31 March 2021

	Notes	GROUP 2021 \$	2020 \$	TRUST 2021 \$	2020 \$
CASH FLOWS FROM OPERATING ACTIVITIES					
<i>Cash was provided from:</i>					
Receipts from customers		27,787,651	24,065,864	-	-
Interest received		120,128	231,161	56,834	73,298
		27,907,779	24,297,025	56,834	73,298
<i>Cash was disbursed to:</i>					
Payments to suppliers and employees		(14,352,515)	(15,029,363)	(116,714)	(172,841)
Income tax (paid)/received		(959,350)	(333,080)	-	-
Interest paid		(41,618)	(65,727)	-	-
Net GST (paid)/received		(131,558)	175,034	(5,254)	3,652
		(15,485,041)	(15,253,136)	(121,968)	(169,189)
NET CASH FROM OPERATING ACTIVITIES	4	12,422,738	9,043,889	(65,134)	(95,891)
CASH FLOWS FROM INVESTING ACTIVITIES					
<i>Cash was provided from:</i>					
Transfer from term deposits		8,065,000	110,000	115,000	110,000
		8,065,000	110,000	115,000	110,000
<i>Cash was applied to:</i>					
Transfer to term deposits		(30,000)	(2,050,000)	(30,000)	-
Purchase of property, plant and equipment		(10,881,234)	(7,682,139)	-	-
		(10,911,234)	(9,732,139)	(30,000)	-
NET CASH FROM INVESTING ACTIVITIES		(2,846,234)	(9,622,139)	85,000	110,000
CASH FLOWS FROM FINANCING ACTIVITIES					
<i>Cash was applied to:</i>					
Principal elements of lease liabilities		(183,538)	(173,733)	-	-
NET CASH FROM FINANCING ACTIVITIES		(183,538)	(173,733)	-	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS HELD		9,392,966	(751,983)	19,866	14,109
Cash and cash equivalents at beginning of the year		209,600	961,583	45,895	31,786
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		9,602,566	209,600	65,761	45,895

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 7 July 2021.

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.

Notes to the Financial Statements (continued)

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 determined by the Commerce Commission in the Electricity Distribution Services Input. These rates are considered a reasonable estimate of useful lives. Depreciation rates applied are outlined in Note 11
- Lease Liabilities. Key accounting estimates have been applied in respect of the useful life, recoverable amount and incremental borrowing rates applied to the valuation of lease liabilities. These are outlined in Note 12.
- Long service leave entitlements are recognised on a proportional basis as probability of entitlement increases. This is outlined in Note 8.

New and amended standards adopted by the Group

No new or amended standards have been adopted by the Group during the financial year.

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.

Notes to the Financial Statements (continued)

1. OPERATING REVENUE (continued)

	GROUP		TRUST	
	2021	2020	2021	2020
	\$	\$	\$	\$
<i>Operating revenue comprises:</i>				
Revenue recognised over time				
Network lines revenue	21,407,778	20,147,611	-	-
Private network revenue	44,434	-	-	-
	<u>21,452,212</u>	<u>20,147,611</u>	-	-
Revenue recognised at a point in time				
Capital contributions	2,075,307	1,829,496	-	-
Administration levy	-	132,998	-	-
Contracting	3,639,890	1,999,278	-	-
Fault recoveries	358,165	147,774	-	-
	<u>6,073,362</u>	<u>4,109,546</u>	-	-
Other Revenue				
Metering	554,106	541,413	-	-
Bad debts recovered	2,500	-	-	-
Fibre rent received	414,109	409,035	-	-
Rent received	20,674	28,008	-	-
Loss rental rebate	530,804	367,038	-	-
Other income	71,863	51,446	-	-
	<u>1,594,056</u>	<u>1,396,940</u>	-	-
	<u>29,119,630</u>	<u>25,654,097</u>	-	-

- (i) As at 31 March 2021, the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) is \$414,505 (2020 \$385,917), of which 100% will be recognised as revenue during the next reporting period.
- (ii) \$395,917 of revenue recognised in the reporting period was included in the contract liability balance at the beginning of the period (2020 \$405,446).

2. OPERATING EXPENSES

<i>Operating expenses comprise:</i>				
Operating costs	5,893,216	5,758,185	40,571	89,106
Directors' fees	230,426	229,835	-	-
Trustee fees	78,072	76,777	78,072	76,777
Donations	157,386	108,945	-	-
Audit fees – PwC	76,900	84,650	6,000	5,250
Other regulatory audits – PwC	56,161	43,159	-	-
Other regulatory audits – other firms	4,838	18,911	-	-
Bad debts written off	-	927	-	-
	<u>6,496,999</u>	<u>6,321,389</u>	<u>124,643</u>	<u>171,133</u>

Notes to the Financial Statements (continued)

3. DEPRECIATION, AMORTISATION AND IMPAIRMENT

	GROUP		TRUST	
	2021	2020	2021	2020
	\$	\$	\$	\$
<i>Depreciation of PPE comprises:</i>				
Buildings	88,417	83,189	-	-
Core reticulation network	3,147,824	3,068,851	-	-
Private reticulation network	14,118	-	-	-
Meters and relays	3,396	7,830	-	-
Plant and equipment	888,735	777,214	-	-
Fibre network	182,308	182,432	-	-
Intangibles	194,080	219,225	-	-
Total depreciation of PPE	4,518,878	4,338,741	-	-
Loss on disposal of property, plant and equipment	297,544	165,115	-	-
Total depreciation, amortisation and impairment of PPE	4,816,422	4,503,856	-	-
<i>Depreciation of right-to-use assets comprises:</i>				
Network reticulation system	173,581	177,942	-	-
Plant and equipment	24,545	24,046	-	-
Total depreciation of right-to-use assets	198,126	201,988	-	-
Total depreciation, amortisation and impairment	5,014,548	4,705,844	-	-

4. RECONCILIATION OF NET PROFIT WITH CASHFLOW FROM OPERATING ACTIVITIES

Net profit/(loss) for the year	6,179,656	4,108,086	(69,897)	(100,621)
Add / (less) non-cash items:				
Depreciation and amortisation	5,014,548	4,705,844	-	-
Deferred taxation	385,212	783,015	-	-
	5,399,760	5,488,859	-	-
Add / (less) movements in working capital items:				
(Increase) / decrease in trade and other receivables	153,165	(418,468)	3,448	2,780
(Increase) / decrease in inventories	(74,084)	(230,263)	-	-
(Increase) / decrease in work in progress	(178,246)	(3,176)	-	-
Increase / (decrease) in tax payable	836,144	433,393	-	-
Increase / (decrease) in trade and other payables	(6,473)	(174,765)	1,315	1,950
Increase / (decrease) in employee entitlements	112,816	(159,777)	-	-
	843,322	(553,056)	4,763	4,730
Net cash flows from operating activities:	12,422,738	9,043,889	(65,134)	(95,891)

Notes to the Financial Statements (continued)

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	
	2021	2020	2021	2020
	\$	\$	\$	\$
Trade receivables	2,553,286	2,866,974	-	-
Loss allowance	(57,045)	(94,897)	-	-
Total receivables	2,496,241	2,772,077	-	-
Other receivables	344,537	327,389	36	2,124
Prepayments	370,840	264,049	1,796	1,888
GST	3,446	4,714	3,446	4,714
Balance at the end of the year	3,215,064	3,368,229	5,278	8,726
Less non-current trade receivables	-	-	-	-
Current trade and other receivables	3,215,064	3,368,229	5,278	8,726
Trade and other receivables less than 90 days old	3,158,019	3,273,332	5,278	8,726
Trade and other receivables greater than 90 days old	57,045	94,897	-	-
	3,215,064	3,368,229	5,278	8,726

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	2,008,970	1,934,886	-	-
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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	1,491,717	1,495,447	-	-
Accruals	2,030,822	375,635	16,192	14,877
Contract liability - capital contributions	414,505	385,917	-	-
GST payable	74,571	200,875	-	-
Balance at end of year	4,011,615	2,457,874	16,192	14,877

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

Notes to the Financial Statements (continued)

7. TRADE AND OTHER PAYABLES (continued)

	GROUP		TRUST	
	2021	2020	2021	2020
	\$	\$	\$	\$
Contract liability – capital contributions				
Opening balance	385,917	405,446	-	-
Amount of transaction price received for unsatisfied performance obligations	2,103,895	1,942,965	-	-
Revenue recognised from performance obligations satisfied	(2,075,307)	(1,962,494)	-	-
Closing balance	414,505	385,917	-	-

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.

Annual leave entitlements	607,972	497,944	-	-
Other entitlements	80,172	77,384	-	-
Total employee entitlements	688,144	575,328	-	-

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 2019	14,000,000
Movement for the year	-
Closing balance as at 31 March 2020	14,000,000
Opening balance as at 1 April 2020	14,000,000
Movement for the year	-
Closing balance as at 31 March 2021	14,000,000

Notes to the Financial Statements (continued)

10. ADVANCES TO SUBSIDIARIES

Waitaki Power Trust Advance to Network Waitaki Limited

	\$
Opening balance as at 1 April 2019	1,150,000
Movement for the year	-
Closing balance as at 31 March 2020	1,150,000
Opening balance as at 1 April 2020	1,150,000
Movement for the year	-
Closing balance as at 31 March 2021	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.

Notes to the Financial Statements (continued)

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.

Notes to the Financial Statements (continued)

11. PROPERTY, PLANT AND EQUIPMENT (continued)

	Core Reticulation Network	Private Reticulation Network	Land & Buildings	Meters & Relays	Fibre Network	Plant & Equipment	Total
	\$		\$	\$	\$	\$	\$
Gross Carrying Amount							
At 1 April 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
Additions	5,390,786	1,560,214	229,159	-	-	1,789,852	8,970,011
Disposals	(502,186)	-	-	-	-	(161,805)	(663,991)
At 31 March 2021	136,638,253	1,560,214	4,172,791	2,595,397	2,604,400	9,772,608	157,343,663
Accumulated Depreciation and Impairment							
At 1 April 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
Charge for the Year	3,147,824	14,118	88,417	3,396	182,308	888,735	4,324,798
Disposals	(245,270)	-	-	-	-	(83,521)	(328,791)
At 31 March 2021	39,933,287	14,118	781,425	2,594,822	1,913,570	5,403,005	50,640,227
Net Book Values							
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
At 31 March 2021	96,704,966	1,546,096	3,391,366	575	690,830	4,369,603	106,703,436
Work in Progress	3,274,435	181,742	552,013	-	-	48,047	4,056,237
	99,979,401	1,727,838	3,943,379	575	690,830	4,417,650	110,759,673

The Trust has no property, plant and equipment.

Notes to the Financial Statements (continued)

12. LEASES

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	
	2021	2020	2021	2020
	\$	\$	\$	\$
Current	191,960	183,267	-	-
Non-current	741,113	960,382	-	-
Total lease liabilities	933,073	1,143,649	-	-

Interest expenses on these leases totalling \$44,945 (2020: 65,727) is included in finance costs in the income statement.

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.

Notes to the Financial Statements (continued)

12. LEASES (continued)

Right-of-use Assets

	Reticulation Network	Plant & Equipment	Total
	\$	\$	\$
Gross Carrying Amount			
1 April 2019	1,228,833	88,549	1,317,382
New Leases	-	-	-
Variable Lease Adjustments	-	-	-
Terminated Leases	-	-	-
At 31 March 2020	<u>1,228,833</u>	<u>88,549</u>	<u>1,317,382</u>
New Leases	-	-	-
Variable Lease Adjustments	(28,876)	1,838	(27,038)
Terminated Leases	-	-	-
At 31 March 2021	<u>1,199,957</u>	<u>90,387</u>	<u>1,290,344</u>
Accumulated Depreciation and Impairment			
1 April 2019	-	-	-
Charge for the Year	177,942	24,046	201,988
Terminated Leases	-	-	-
At 31 March 2020	<u>177,942</u>	<u>24,046</u>	<u>201,988</u>
Charge for the Year	173,581	24,545	198,126
Terminated Leases	-	-	-
At 31 March 2021	<u>351,523</u>	<u>48,591</u>	<u>400,114</u>
Net Book Values			
At 31 March 2020	<u>1,050,891</u>	<u>64,503</u>	<u>1,115,394</u>
At 31 March 2021	<u>848,434</u>	<u>41,796</u>	<u>890,230</u>

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	
	2021	2020	2021	2020
	\$	\$	\$	\$
No later than one year	424,885	427,774	-	-
Later than one year and no later than five years	1,673,472	1,650,367	-	-
Later than five years	4,022,459	4,379,231	-	-
	<u>6,120,816</u>	<u>6,457,372</u>	<u>-</u>	<u>-</u>

Notes to the Financial Statements (continued)

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:

<i>Item</i>	<i>Depreciation Rate</i>
Computer Software	15% to 40%

GROUP	2021	2020
	\$	\$
Purchased Software		
Gross Carrying Amount		
Opening Balance	1,470,469	1,810,132
Additions	191,735	8,819
Disposals	-	(348,482)
Closing Balance	1,662,204	1,470,469
Accumulated Amortisation and Impairment		
Opening Balance	1,177,676	1,306,933
Charge for Year	194,080	219,225
Disposals	-	(348,482)
Closing Balance	1,371,756	1,177,676
Net Book Value	290,448	292,793
Work in Progress	161,977	26,879
Carrying Amount	452,425	319,672

The Trust has no intangible assets.

Net debt and equity

14. 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.

Foreign currency bank account balances are revalued to NZD at spot rate as at balance date.

	GROUP		TRUST	
	2021	2020	2021	2020
	\$	\$	\$	\$
NZD bank account	2,897,778	209,600	40,761	45,895
USD bank account	679,788	-	-	-
Term deposits (less than 90 days)	6,025,000	-	25,000	-
Closing Balance	9,602,566	209,600	65,761	45,895

All term deposits and bank accounts are interest bearing, except for the USD bank account.

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. Interest income is recognised using the effective interest method.

Financial assets

Classification

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

Amortised cost

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

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

Recognition and measurement

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

Impairment of financial assets

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

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

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

Notes to the Financial Statements (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.

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.

15. TRUST EQUITY

	GROUP		TRUST	
	2021	2020	2021	2020
	\$	\$	\$	\$
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.

16. RETAINED EARNINGS

Balance at beginning of the year	83,588,737	79,480,651	804,644	905,265
Net surplus / (deficit) for the year	6,179,656	4,108,086	(69,897)	(100,621)
Balance at the end of the year	89,768,393	83,588,737	734,747	804,644

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.

Notes to the Financial Statements (continued)

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. Investments with approved counter parties are limited to a term of no more than 24 months. The company will diversify its investments, where it is economic to do so with no more than \$3 million or 25% of current investments, whichever is greater, in any one institution. Credit risk associated with trade receivables is limited through electricity 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 contracting activities are assessed on a per contract basis.

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 17 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.

17. ANALYSES OF FINANCIAL LIABILITIES

	Less than 1 Year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
GROUP				
<i>At 31 March 2020</i>				
Trade and Other Payables	2,457,874	-	-	-
Employee Entitlements	575,328	-	-	-
<i>At 31 March 2021</i>				
Trade and Other Payable	4,011,615	-	-	-
Employee Entitlements	688,144	-	-	-
TRUST				
<i>At 31 March 2020</i>				
Trade and Other Payables	14,877	-	-	-
<i>At 31 March 2021</i>				
Trade and Other Payable	16,192	-	-	-

Notes to the Financial Statements (continued)

Other

18. 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	
	2021	2020	2021	2020
	\$	\$	\$	\$
Tax expense for period made up of:				
Income tax expense	1,795,493	766,474	-	-
Deferred taxation expense	385,212	783,015	-	-
	2,180,705	1,549,489	-	-
Operating surplus before income tax	8,360,361	5,657,575	(69,897)	(100,621)
Prima facie taxation	2,337,406	1,579,089	(23,066)	(33,205)
<i>Movement in income tax due to:-</i>				
Non-deferred tax differences				
Non-deductible expenses	4,659	24,299	-	-
Prior period adjustment	(184,426)	(87,104)	-	-
Trust loss not recognised	23,066	33,205	23,066	33,205
	(157,691)	(29,600)	23,066	33,205
Tax Expense	2,180,705	1,549,489	-	-
Deferred tax movements				
Capital contributions	(64,428)	(53,709)	-	-
Prior period adjustments	276,712	-	-	-
Depreciation	(618,878)	(692,044)	-	-
Other	21,382	(37,262)	-	-
	(385,212)	(783,015)	-	-
Current income tax expense	1,795,493	766,474	-	-

GROUP DEFERRED TAX	Depreciation	Other	Total
Deferred Tax Liability			
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
Opening Balance as at 1 April 2020	13,186,075	2,270,218	15,456,293
Change in the Year	342,166	43,046	385,212
Closing Balance as at 31 March 2021	13,528,241	2,313,264	15,841,505

Waitaki Power Trust tax loss carried forward for 2021 is \$1,116,510 (2020: \$1,049,613).

Notes to the Financial Statements (continued)

19. 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
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Payments from Network Waitaki Limited to Waitaki Power Trust

Interest	53,929	63,423
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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	34,455	34,366
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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	6,111	5,318
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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	61,262	59,798
Payments outstanding at balance date – trade payables	7,765	3,407

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	11,862	15,665
Payments outstanding at balance date – trade receivables	3,763	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	399,077	614,932
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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	34,455	25,842
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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	34,455	34,367
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Notes to the Financial Statements (continued)

18. RELATED PARTY TRANSACTIONS (continued)

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	551,011	821,602
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Payments from Network Waitaki Limited to key management personnel

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

Employee Costs	1,499,294	1,420,492
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20. CAPITAL COMMITMENTS

	GROUP		TRUST	
	2021	2020	2021	2020
	\$	\$	\$	\$
Network assets	879,883	264,464	-	-
Non-network assets	1,144,430	254,597	-	-
Total	2,024,313	519,061	-	-

21. CONTINGENT LIABILITIES

On 4 October 2020, there was a large fire in the Ohau area that resulted in a prolonged disruption to the supply of electricity to the area. The cause and origin of the fire remains under investigation with Fire and Emergency New Zealand yet to issue a draft report on the event. It is too early to determine whether these events may result in a financial liability for the Network Waitaki Limited. Accordingly, the company has not recognised any liabilities, actual or contingent, in respect of this event. (2020 Nil).



Independent auditor's report

To the Trustees of Waitaki Power Trust

Our opinion

In our opinion, the accompanying 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 2021, 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).

What we have audited

The Group's and Trust's financial statements comprise:

- the financial position as at 31 March 2021;
- 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 significant accounting policies and other explanatory information.

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.

Independence

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

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

Other information

The Trustees are responsible for the other information. The other information comprises the information included in the Annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.



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/assurance-standards/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, as a body. 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, as a body, 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:

A handwritten signature in blue ink that reads 'PricewaterhouseCoopers' in a cursive script.

Chartered Accountants
7 July 2021

Dunedin