



ANNUAL
REPORT 2019



Chairman:

E A Angelo, FCA Whangarei

Deputy Chairman:

R J Drake, MNZM Kaipara

Other Trustees:

I M Durham BBM, Grad Dip (Fin) Whangarei

S K McKenzie Kaipara

K R Provan Whangarei

W E Rossiter, QSM Whangarei

P M W Yovich, CA Whangarei

Secretariat:

B A Martin, CA
Plus Chartered Accountants Limited

Bankers:

ASB Whangarei

Auditor:

BDO Northland

Northpower

Chairman:

N P Davies-Colley, BBS, MBA, CF Inst D

Directors:

R C Booth, MBA, Dip Ag

P G Hutchings, B.Eng (Hons), Dip Bus Admin

M B James, BCom, CA

L S Kubiak

M D Trigg, BEng Chemicals and Materials



Northpower Electric Power Trust

Annual Report

For the Year Ended 31 March 2019

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Trustees' Report

The Role of Trustees

The Trustees' responsibilities are governed by the Trust Deed. They are required to provide for the short and long term interests of the beneficiaries and must adhere to the requirements of the Trustee Act 1956, the Commerce Act 1986 and the Electricity Industry Act 2010.

Trustees' responsibilities cover: holding the shares in Northpower Limited on behalf of the electricity consumers in the Kaipara and Whangarei Districts, receiving dividends from Northpower Ltd and distributing that income for the benefit of the consumers; commenting to the Directors on Northpower's Statement of Corporate Intent (SCI); appointing Directors of Northpower Ltd and monitoring their performance with

respect to the Company's SCI; exercising the rights and responsibilities of diligent shareholders; meeting with the Directors on a regular basis to consider the performance of Northpower Ltd; and reporting annually to the Trust's beneficiaries.

Seven Trustees are elected every three years by the public of the Kaipara and Whangarei Districts to hold the shares in Northpower Ltd on behalf of the Trust's beneficiaries, who are the electricity consumers of the districts. The Northpower Electric Power Trust (NEPT) was registered in 1993. The last Trustee elections were held in November 2016 and therefore the next election for Trustees will be held in October/November 2019.

Distribution to consumers

A distribution by the Trust of \$120 per consumer was paid in December 2018 by way of a credit to all consumer beneficiaries' electricity accounts.

Over the past year there have been discussions between the Trustees and Directors of Northpower Ltd regarding the distribution policy.

This year (from 1 April 2019) there is a policy change from receiving dividends from the Company for distribution to consumers, to a process that includes a discount from the Company to all consumers/beneficiaries connected to the Northpower electricity network, along with a smaller dividend to the Trust.

Directorship

At each Annual General Meeting of Northpower Ltd, the company's constitution requires that one third of the Directors will retire and may seek reappointment. In July 2018 David Ballard and Mark Trigg retired by rotation. David Ballard chose not to seek reappointment, while Mark Trigg was unanimously reappointed to the Board by the Trustees. David Ballard was a Director for 19 years and during that time made an outstanding contribution to the success of the Company.

The selection and appointment of the Directors of Northpower Ltd is a crucial part of the Trustees' responsibilities. Trustees seek regular external perspectives on the performance of Northpower Directors; the results of which have confirmed that Northpower Ltd continues to be governed by an excellent Board of Directors.

Trustees' Report

Working with Directors

In order to fulfil their statutory obligations, Trustees meet with the Board of Directors regularly throughout the year. Matters raised include any issues that have the potential to affect the value of Northpower Ltd. Trustees receive and review interim financial reports for discussion with Directors. The relationship between the Chairman of the Trust and the Chairman of the Board of Directors is vitally important, and enables Trustees to effectively undertake the monitoring process required by the Trust Deed.

Regulatory and industry specific issues

The Trustees work closely with the Northpower Ltd Board of Directors and Management and also through the Energy Trusts of New Zealand (ETNZ) - a body which represents the interests of electricity trusts - in order to influence regulators to provide a clear and cost effective regime that guides quality service to consumers - without imposing unnecessary additional costs.

Trustees keep abreast of regulatory and industry issues through focus meetings with industry representatives and regular contact with Directors on significant issues as they arise and via ETNZ.

Consumer contact

Trustees are always available to discuss matters involving the Electricity Industry in general and local issues that may also affect ownership issues and responsibilities. Trustees connect with consumers/beneficiaries whenever the opportunity arises.

All Trustees are privileged to represent the electricity consumers of Northpower Ltd as beneficiaries of the Trust, and to fulfil their responsibility to act in the capacity of shareholders of Northpower Ltd.

Financial report

The Northpower Trust 2019 financial statements are required to be consolidated with those of Northpower Ltd. The Trust's results are presented in the 'Trust' column while the 'Consolidated' column reflects the results of the Company and the Trust.

BDO Northland has completed the audit of the Trust's financial report and consumers will have the opportunity to approve the appointment of BDO Northland as the Trusts' auditors for the year ending 31 March 2020 at the 2019 AGM on 29 July 2019.

Trustees' Statements

For the year ended 31 March 2019

The Trustees present the summary annual report of the Northpower Electric Power Trust, incorporating the summary financial statements for the year ended 31 March 2019. The full annual report and audited financial statements are available at Northpower's website: <https://northpower.com/company/about-us/ownership>.

Principal activities

The principal business of the Trust is holding shares in Northpower Limited on behalf of the consumer beneficiaries. The nature of the Trust's business has not changed during the year.

Trustees holding office during the year

The following Trustees held office during the year:

Ercoli Angelo
Richard Drake
Irene Durham
Ross Provan
Sheena McKenzie
William Rossiter
Paul Yovich

Trustee remuneration and meeting fees paid were as follows

	2019	2018
	\$	\$
E A Angelo	49,100	48,330
R J Drake	35,211	34,771
I M Durham	27,760	27,100
S K McKenzie	28,200	27,540
K R Provan	27,100	27,320
W E Rossiter	28,200	27,540
P M W Yovich	28,200	27,760
	223,771	220,361

Auditor of the Trust

The appointed auditor of the Trust for the year ended 31 March 2019 is BDO Northland.

In accordance with section 101 (3) of the Electricity Industry Act 2010, a motion will be put to the Annual Meeting of beneficiaries authorising the Trust to fix the fees and expenses of the auditors for the ensuing year.

For and on behalf of the Board of Trustees.

Ercoli Angelo
Chairman



Income Statement

For the year ended 31 March 2019

Account	2019	2018
Income		
Dividend Received	1,513,000	8,000,000
Interest Received	146,145	98,863
Total Other Income	1,659,145	8,098,863
Operating Expenses		
AGM Expense	5,981	6,140
Audit Fees	20,995	18,723
Bank Charges	165	200
Conference Expenses & Travel	19,699	6,108
Consumer Call Centre	668	774
Director Recruitment	13,651	2,270
Director Remuneration Review	0	679
Distribution Administration Expense	21,021	21,192
ETNZ Levy	9,717	9,137
General Expenses	559	0
Insurance	7,822	7,195
Meeting Expenses	1,035	1,376
Ownership Review Expenses	0	6,402
Secretarial Expenses	48,300	64,068
Trustee Fees & Allowances	223,771	220,361
Trustee Travel Expenses	3,516	4,470
Total Operating Expenses	376,901	369,093
Profit Before Taxation	1,282,245	7,729,771
Adjustments and Taxation for the Year		
Provision for Taxation	28,920	813,603
Net Profit	1,253,325	6,916,168
Distribution to Consumers	6,959,880	4,577,390
ASB Bank Deposits	735,704	382,347
Trustee Fees & Allowances		
E Angelo	49,100	
R Drake	35,211	
I Durham	27,760	
S McKenzie	28,200	
R Provan	27,100	
W Rossiter	28,200	
P Yovich	28,200	
Total	223,771	

Summary Comprehensive Income Statement

For the year ended 31 March 2019

	Notes	CONSOLIDATED		TRUST	
		2019 \$000s	2018 \$000s	2019 \$000s	2018 \$000s
Continuing Operations					
Revenue from contracts with customers	2a	361,237	-	-	-
Other income	2b	2,517	1,218	1,659	-
Revenue	2c	-	325,145	-	8,099
Materials/supplies expenses		154,078	129,326	-	-
Employee benefits expenses		120,364	115,779	-	-
Transmission costs		20,422	21,284	-	-
Depreciation and amortisation expense		15,125	15,802	-	-
Other expenses		15,948	11,905	379	369
Finance costs		3,370	3,408	-	-
Share of (profit) in joint venture		(684)	(592)	-	-
Profit before income tax		35,131	29,451	1,280	7,730
Income tax expense		(10,722)	(9,612)	(28)	(813)
Profit for the year from continuing operations attributable to the equity holders of the trust		24,409	19,839	1,252	6,917
Profit for the year from discontinued operations	3	-	2,475	-	-
Profit for the year attributable to the equity holders of the trust		24,409	22,314	1,252	6,917
Other comprehensive income					
<i>Items that may be reclassified to profit or loss</i>					
Exchange differences on translation of foreign operations		119	190	-	-
<i>Items that will not be reclassified to profit or loss</i>					
Net fair value gains on derivatives designated as FVTPL attributable to changes in credit risk		161	84	-	-
Net fair revaluation gains on land, buildings and distribution assets	4	(25,841)	-	-	-
Income tax relating to these items		7,685	-	-	-
Other comprehensive (loss)/income for the period net of tax		(17,876)	274	-	-
Total comprehensive (loss)/income for the period		6,533	22,588	1,252	6,917

The full audited financial statements are available at Northpower's website: northpower.com/company/about-us/ownership.

Summary Balance Sheet

As at 31 March 2019

	Notes	CONSOLIDATED		TRUST	
		2019 \$000s	2018 \$000s	2019 \$000s	2018 \$000s
Assets					
Current Assets					
Cash and cash equivalents		3,253	4,121	112	382
Short term investments		624	-	624	-
Trade and other receivables		42,914	38,240	1,573	8,100
Prepayments		1,643	-	12	-
Work in progress - construction contracts		-	18,365	-	-
Contract assets		23,671	-	-	-
Inventory		9,326	9,524	-	-
Tax refund due		119	119	119	119
Total current assets		81,550	70,369	2,440	8,601
Non-current assets					
Other financial assets		-	32	-	-
Investment in subsidiaries		-	-	35,989	35,989
Assets under construction		10,219	16,699	-	-
Goodwill and intangible assets		21,975	11,551	-	-
Investments accounted for using the equity method		25,456	26,534	-	-
Property, plant and equipment		319,621	328,035	-	-
Total non-current assets		377,271	382,851	35,989	35,989
Total Assets		458,821	453,220	38,429	44,590
Liabilities					
Current liabilities					
Trade and other payables		28,887	35,560	27	22
Contract liabilities		14,937	-	-	-
Provision for tax		4,960	6,140	-	-
Derivative financial instruments		88	45	-	-
Employee entitlements		14,602	14,782	-	-
Borrowings		40,000	-	-	-
Total current liabilities		103,474	56,527	27	22
Non-current liabilities					
Employee entitlements		736	905	-	-
Borrowings		21,882	61,188	-	-
Deferred government grant		4,342	2,250	-	-
Derivative financial instruments		4,384	2,913	-	-
Deferred taxation		50,809	55,816	97	555
Total non-current liabilities		82,153	123,072	97	555
Total Liabilities		185,627	179,599	124	577
Net Assets		273,194	273,621	38,305	44,013
Equity					
Trust Capital		35,989	35,989	35,989	35,989
Property, plant and equipment revaluation reserve	4	19,311	37,467	-	-
Other reserves		345	184	-	-
Foreign currency translation reserve		(2,918)	(3,037)	-	-
Retained earnings		220,467	203,018	2,316	8,024
Equity attributable to equity holders of the Trust		273,194	273,621	38,305	44,013
Total Equity		273,194	273,621	38,305	44,013

The full audited financial statements are available at Northpower's website: northpower.com/company/about-us/ownership.

Summary Statement of Changes in Equity

For the year ended 31 March 2019

	Notes	Trust Capital \$000s	Retained Earnings \$000s	Other Reserves \$000s	Asset Revaluatn Reserve \$000s	Foreign Cur Translatn Reserve \$000s	Total \$000s
Consolidated							
As at 1 April 2018		35,989	203,018	184	37,467	(3,037)	273,621
Profit for the period		-	24,409	-	-	-	24,409
Other comprehensive income for the period		-	-	161	-	119	280
Revaluation of assets	4	-	-	-	(25,841)	-	(25,841)
Deferred Tax on above		-	-	-	7,685	-	7,685
Total comprehensive income for the period		-	24,409	161	(18,156)	119	6,533
Transactions with owners in their capacity as owners							
Distributions paid to consumer beneficiaries		-	(6,960)	-	-	-	(6,960)
As at 31 March 2019		35,989	220,467	345	19,311	(2,918)	273,194
As at 1 April 2017		35,989	184,863	100	37,885	(3,227)	255,610
Profit for the period		-	22,314	-	-	-	22,314
Other comprehensive income for the period		-	-	84	-	190	274
Transfer from Asset Revaluation Reserve		-	814	-	(814)	-	-
Deferred Tax on above		-	(396)	-	396	-	-
Total comprehensive income for the period		-	22,732	84	(418)	190	22,588
Transactions with owners in their capacity as owners							
Distributions paid to consumer beneficiaries		-	(4,577)	-	-	-	(4,577)
As at 31 March 2018		35,989	203,018	184	37,467	(3,037)	273,621
Trust							
As at 1 April 2018		35,989	8,024	-	-	-	44,013
Profit for the period		-	1,252	-	-	-	1,252
Other comprehensive income for the period		-	-	-	-	-	-
Total comprehensive income for the period		-	1,252	-	-	-	1,252
Transactions with owners in their capacity as owners							
Distributions paid to consumer beneficiaries		-	(6,960)	-	-	-	(6,960)
As at 31 March 2019		35,989	2,316	-	-	-	38,305
As at 1 April 2017		35,989	5,684	-	-	-	41,673
Profit for the period		-	6,917	-	-	-	6,917
Total comprehensive income for the period		-	6,917	-	-	-	6,917
Transactions with owners in their capacity as owners							
Distributions paid to consumer beneficiaries		-	(4,577)	-	-	-	(4,577)
As at 31 March 2018		35,989	8,024	-	-	-	44,013

The full audited financial statements are available at Northpower's website: northpower.com/company/about-us/ownership.

Summary Cash Flow Statement

For the year ended 31 March 2019

	CONSOLIDATED		TRUST	
	2019 \$000s	2018 \$000s	2019 \$000s	2018 \$000s
Operating activities				
Receipts from customers	350,274	344,447	-	1
Interest received	270	307	144	99
Dividends received	2,911	3,157	8,103	5,000
Payments to suppliers	(184,879)	(174,668)	(357)	(344)
Payments to employees	(120,713)	(116,120)	-	-
Interest paid	(3,781)	(3,685)	-	-
Income tax paid	(9,224)	(11,007)	(486)	(209)
Net GST paid	(48)	(3)	-	-
Net cash flows from operating activities	34,810	42,428	7,404	4,547
Investing activities				
Proceeds from sale of property, plant and equipment	2,238	11,168	-	-
Proceeds from sale of other financial assets	34	897	-	-
Investment in joint venture	(1,149)	(5,238)	-	-
Purchase of intangible assets	(3,137)	(1,767)	-	-
Purchase of property, plant and equipment	(28,934)	(23,734)	-	-
Purchase of short term investments	(624)	-	(624)	-
Net cash flows used in investing activities	(31,572)	(18,675)	(624)	-
Financing activities				
Repayment of borrowings	2,825	(16,558)	-	-
Payment of finance lease liabilities	-	(1,140)	-	-
Distributions to consumers	(7,050)	(4,640)	(7,050)	(4,640)
Net cash flows (used in)/from financing activities	(4,225)	(22,338)	(7,050)	(4,640)
Net increase in cash and cash equivalents	(987)	1,415	(270)	(93)
Net foreign exchange differences	119	190	-	-
Cash and cash equivalents at the beginning of the year	4,121	2,516	382	475
Cash and cash equivalents at the end of the year	3,253	4,121	112	382

The full audited financial statements are available at Northpower's website: northpower.com/company/about-us/ownership.

Notes to the Summary Financial Statements

For the year ended 31 March 2019

1. General information

The Northpower Electric Power Trust (the Trust) was established under the terms of the trust deed dated 29 March 1993. The Trust holds the entire share capital of Northpower Limited on behalf of the power consumers within the network area served by Northpower Limited.

Northpower Limited (the Company) is a profit oriented limited liability company incorporated in New Zealand. Northpower Electric Power Trust is a tier 1 for profit entity.

Northpower Limited is formed under the Energy Companies Act 1992 and registered under the Companies Act 1993. The Northpower Electric Power Trust Group consists of The Northpower Electric Power Trust, Northpower Limited and its subsidiaries Northpower Solutions Limited, Northpower LFC2 Limited, West Coast Energy Pty Limited and Northpower Western Australia Pty Limited along with a joint venture company Northpower Fibre Limited. The Northpower Electric Power Trust is the sole shareholder of the Company.

The principal activity of the Trust is to hold shares in Northpower Limited on behalf of consumer beneficiaries. The principal activities of Northpower Limited are electricity distribution and contracting. The principal activities of its subsidiaries are as follows:

- West Coast Energy Pty Limited is based in Western Australia. It operated an electricity contracting business that was closed during the 2018 year.
- Northpower Western Australia Pty Limited is based in Western Australia. It is an intermediate holding company and operates an acoustic testing business.
- Northpower Solutions Limited operates a contracting business.
- Northpower LFC2 Limited operates a telecommunications fibre business.

Basis of preparation

These summary financial statements have been prepared in accordance with Financial Reporting Standard Number 43 'Summary Financial Statements'. The full financial statements have been prepared in accordance with Tier 1 For-profit Accounting Standards. They comply with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

The presentation currency is New Zealand dollars rounded to the nearest thousand dollars (\$000).

These summary financial statements have been extracted from the full audited financial statements authorised for issue by the Trustees of the Trust on 17 July 2019. The Trust's auditors, BDO Northland, expressed an unmodified audit opinion on the 31 March 2019 full financial statements.

As the summary financial statements do not include all the disclosures that are in the full financial statements, they cannot be expected to provide a complete understanding as produced by the full financial statements. This understanding can only be obtained by reference to the full audited financial statements, which are available at Northpower's website: northpower.com/company/about-us/ownership

New accounting standards and interpretations

The financial statements have been prepared using accounting policies that are consistent with those of the previous financial year except for the first time application of NZ IFRS 15 Revenue from Contracts with Customers.

NZ IFRS 15 supersedes NZ IAS 11 Construction Contracts, NZ IAS 18 Revenue and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. NZ IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

NZ IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

Notes to the Summary Financial Statements

For the year ended 31 March 2019

The Group has applied the modified retrospective method of adoption with the date of initial application of 1 April 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group elected to apply the standard to all contracts that were not complete at 1 April 2018. Application of the standard has not had a significant effect on the recognition of revenue however has resulted in changes to the Group's disclosures. In accordance with the modified retrospective method of adoption, the comparative amounts and disclosures are as reported last year and have not been amended for the new NZ IFRS 15 requirements.

2. Revenue

The current year revenue disclosures are as required by NZ IFRS 15, adopted 1 April 2018. The Group has adopted the modified retrospective transition approach and accordingly the comparatives are as reported in the prior year financial statements. Current year revenue is disclosed in note 2(a) and 2(b), while the comparatives are in note 2(b) and 2(c).

a. Revenue from contracts with customers

i. Electricity distribution revenue

The performance obligation is satisfied over time with the delivery of electricity and payment is generally due within 20 to 45 days from delivery. The Group adopts a practical expedient allowed by NZ IFRS 15 and recognises electricity distribution revenue when the right to invoice arises.

ii. Line contributions

Line contribution revenue represents third party contributions towards the construction of distribution system assets. Revenue is recognised in profit or loss when the asset is complete.

iii. Metering revenue

The performance obligation is satisfied on reading of end consumer electricity metering equipment, and revenue is recognised over time. Payment is generally due within 20 to 45 days from delivery.

iv. Electricity Generation

The Group owns and operates an electricity power station at Wairua, Northland. The performance obligation of the supply of generated electricity is satisfied over time and pricing is based on the final electricity industry spot price, as defined by the Electricity Industry Participation Code. Payment is generally due within 20 - 45 days from supply of the electricity.

v. Fibre telecommunications services

The performance obligation is satisfied over time with the provision of fibre internet connectivity and payment is generally due within 20 to 45 days from provision of the service. Revenue is recognised as the service is provided.

vi. Contracting revenue - electricity industry

The contracting division provides maintenance and construction services under fixed-price and variable price contracts. Revenue from these services is recognised in the accounting period in which the services are rendered. For fixed-priced contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously. This is determined based on the actual costs incurred relative to the total expected costs.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

vii. Contracting revenue - fibre telecommunications industry

The fibre division provides maintenance and connection services under fixed-price contracts to its Joint Venture company Northpower Fibre Limited. Revenue related to services to connect end users to the fibre network is recognised when the connection is complete. Revenue for maintenance services is recognised in the accounting period in which the services are rendered because the customer receives and uses the benefits simultaneously.

Notes to the Summary Financial Statements

For the year ended 31 March 2019

	CONSOLIDATED		TRUST	
	2019 \$000s	2018 \$000s	2019 \$000s	2018 \$000s
viii. Revenue from contracts with customers				
Revenue recognised over time				
Electricity distribution revenue	74,719	-	-	-
Metering	637	-	-	-
Electricity generation	2,726	-	-	-
Fibre telecommunication services	585	-	-	-
Contracting revenue - electricity industry	273,059	-	-	-
Contracting revenue - fibre telecommunications industry	5,104	-	-	-
Revenue recognised at a point in time				
Lines contributions	4,407	-	-	-
	361,237	-	-	-

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 March are, as follows:

	CONSOLIDATED		TRUST	
	2019 \$000s	2018 \$000s	2019 \$000s	2018 \$000s
Within one year	58,938	-	-	-

Revenue of \$13 million was included in contract liabilities at the end of the previous financial year.

b. Other income

i. Interest income

Interest income is recognised using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

ii. Dividends

Dividend income is recognised when the Group's right to receive payment is established, which is generally when the shareholders approve the dividend.

	CONSOLIDATED		TRUST	
	2019 \$000s	2018 \$000s	2019 \$000s	2018 \$000s
Dividends	-	-	1,513	-
Gain on sale of assets	311	-	-	-
Rent received	132	633	-	-
Interest income	272	85	146	-
Sundry income	1,802	500	-	-
	2,517	1,218	1,659	-

Notes to the Summary Financial Statements

For the year ended 31 March 2019

The Trust receives an annual dividend from Northpower Limited. The amount of this dividend has decreased significantly between years on the basis that a fixed lines discount will be paid by the Company for the year ended 31 March 2020.

c. Revenue

The disclosures below relate to the comparative year, prior to the adoption of NZ IFRS 15 Revenue from Contracts with Customers.

Revenue is recognised and measured at fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

i. Line charges

Line charges revenue represents income generated from the distribution of electricity to consumers. Revenue is measured at the fair value of the consideration received or receivable.

ii. Line Contributions

Line contribution revenue represents third party contributions towards the construction of distribution system assets. Revenue is recognised in the comprehensive income statement to reflect the percentage of completion of the construction of the related items. Contributions received in excess of those recognised in the comprehensive income statement are recognised as deferred income in the balance sheet.

iii. Interest income

Interest income is recognised using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

iv. Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at balance date, as measured by the proportion that contract costs for work performed to date bear to the total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are incurred to the extent that they have been agreed with the customer.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

v. Dividends

Dividend income is recognised when the Group's right to receive payment is established, which is generally when the shareholders approve the dividend.

	CONSOLIDATED		TRUST	
	2019 \$000s	2018 \$000s	2019 \$000s	2018 \$000s
Lines revenues	-	76,595	-	-
Line contributions	-	4,179	-	-
Contracting work income	-	243,887	-	-
Dividend income	-	-	-	8,000
Interest income	-	307	-	99
Income from farming	-	177	-	-
	-	325,145	-	8,099

Revenue associated with discontinued activities is disclosed in note 7 of the full financial statements.

Notes to the Summary Financial Statements

For the year ended 31 March 2019

3. Discontinued operations

West Coast Energy

During the year ended 31 March 2017 it became apparent that the Group was unable to make a sustainable profit from key contracts held by West Coast Energy Pty Limited and as a result in December 2016 a decision was made to close the business. The results of the discontinued operations included in the profit for the comparative year in these financial statements includes the West Coast Energy's business trading up until closure (20 June 2017) and the wash up of the closure provisions.

4. Property, Plant and Equipment Revaluations

a. Property, Plant and Equipment Revaluation Reserve

The property, plant and equipment revaluation reserve is used to record the increments and decrements in the fair value of property, plant and equipment identified as being carried at valuation. A revaluation adjustment of \$25.8m was recognised during 2019 (2018: nil). This was made up of a decrease in the distribution system assets of \$29.3m and an increase in land and buildings of \$3.5m.

b. Revaluation of distribution system

The Group engaged PriceWaterhouseCoopers, an independent registered valuer, to determine the fair value of its distribution system assets as at 31 March 2019. As the fair value of the assets was not able to be reliably determined using market-based evidence, the valuation was prepared using a discounted cash flow methodology.

The key inputs used in the valuation included the forecast of future line charges, volumes, projected operational and capital expenditures growth rates and discount rate. A sensitivity analysis of the major inputs used in the valuation is discussed in detail in note 2 of the full financial statements.

The valuers estimated a range of values attributable to the Group's distribution system assets was between \$249.1 million and \$270.9 million as at 31 March 2019. The carrying value of the distribution system was higher than the valuation and accordingly a valuation adjustment was recognised to reduce the carrying value to the mid point of the valuation. The valuation adjustment of \$29.3m is recognised in other comprehensive income. The main drivers of the valuation decrease were the decision to commit a revenue discount for the 31 March 2020 year and a change in expectation of returns on assets expected over the forecast period. The revised returns better align to the expected regulatory return on assets set by the Commerce Commission for electricity distribution businesses.

c. Revaluation of land and buildings

The Group engaged AON Risk Solutions, a registered independent valuer, to determine the fair value of its land and buildings as at 31 March 2019. Fair value is determined by direct reference to recent market transactions on arm's length terms. Fair value is assessed with reference to the "highest & best use" being defined as "the most probable use of an asset that is physically possible, appropriately justified, legally permissible, financially feasible and results in the highest value". As at 31 March 2019, the fair value of the land and buildings amounted to \$10.8 million and \$10.2 million, respectively. This resulted in a valuation uplift of \$3.5m being recognised in the other comprehensive income.

The valuation of land and buildings was carried out in accordance with International Valuation Standards. To establish the valuation of properties, the valuers used a combination of income capitalisation, market comparison and depreciated replacement cost approaches.

Notes to the Summary Financial Statements

For the year ended 31 March 2019

5. Guarantees and Contingencies

	CONSOLIDATED		TRUST	
	2019 \$000s	2018 \$000s	2019 \$000s	2018 \$000s
Performance bonds in relation to contract work	30,999	30,199	-	-
Guarantee for leased premises	-	1,026	-	-
	30,999	31,225	-	-

Performance bonds relate to guarantees given to customers to guarantee completion of contracting work both in New Zealand and Australia. No liability was recognised in relation to the above guarantees as the fair value is considered immaterial.

Northpower is a participant in the DBP Contributors Scheme (the scheme) which is a multi-employer defined benefit scheme operated by National Provident Fund. If the other participating employers ceased to participate in the scheme, Northpower could be responsible for the entire deficit of the scheme. Similarly, if a number of employers ceased to participate in the scheme, Northpower could be responsible for an increased share of the deficit.

6. Commitment

As lessee in operating leases

The Group leases property, plant & equipment in the normal course of business. The future aggregate minimum lease payments payable under non-cancellable operating leases are as follows:

	CONSOLIDATED		TRUST	
	2019 \$000s	2018 \$000s	2019 \$000s	2018 \$000s
Within one year	11,820	9,411	-	-
After one year but not more than five years	31,951	24,814	-	-
More than five years	11,492	9,016	-	-
Total non-cancellable operating leases	55,263	43,241	-	-

As lessor in operating leases

The future aggregate minimum lease payments to be collected under non-cancellable operating leases are as follows:

Within one year	50	21	-	-
After one year but not more than five years	115	50	-	-
More than five years	93	-	-	-
Total non-cancellable operating leases	258	71	-	-

No contingent rents have been recognised during the period.

Capital commitments contracted for at balance sheet date	2,575	573	-	-
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Northpower is a party to certain options contracts which, when exercised, will require Northpower to purchase A shares in Northpower Fibre Limited from Crown Infrastructure Partners Limited. As at balance date, the exercise of these options is considered to be unlikely since the conditions that trigger them have not been met. Furthermore, the value of these options is assessed to be not significant since its exercise price is equivalent to the market price on exercise date.

Notes to the Summary Financial Statements

For the year ended 31 March 2019

7. Related parties

a. Subsidiaries

i Terms and Conditions

Sale to and purchases from related parties are made in arm's length transactions both at normal market prices and on normal commercial terms.

Northpower Limited pays a dividend to the Trust.

ii Outstanding Balances

Outstanding balances at year end are unsecured, interest free and settlement occurs in cash.

	TRUST	
	2019	2018
	\$000s	\$000s
Transactions during the year		
Dividends income from Northpower Limited	1,513	8,000
Outstanding balances as at 31 March		
Receivable from Northpower Limited	1,571	8,090

b. Joint Ventures

Consolidated only

Transactions during the year		
Sales to joint venture	3,953	3,236
Purchases from joint venture	383	324
Dividend received from joint venture	2,911	3,157
Purchase of shares in joint venture	1,148	5,238
Outstanding balances as at 31 March		
Payable to joint venture	-	101
Receivable from joint venture	538	755

c. Directors

Certain Directors and key management of Northpower are also directors of West Coast Energy Pty Limited, Northpower Western Australia Pty Limited Northpower Solutions Limited and Northpower LFC2 Limited.

Notes to the Summary Financial Statements

For the year ended 31 March 2019

d. Key Management

The compensation of the Trustees, Directors and Executives, being the key management personnel of the entity, is set out as below:

Compensation of key management personnel

	CONSOLIDATED		TRUST	
	2019 \$000s	2018 \$000s	2019 \$000s	2018 \$000s
Short-term employee benefits	3,176	3,495	224	220
Termination benefits	137	205	-	-
	3,313	3,700	224	220

There are close family members of key management personnel employed by the Group. The terms and conditions of these arrangements are no more favourable than the Group would otherwise have adopted if there were no relationships to key management personnel.

During the year Northpower paid the Northpower Electric Power Trust a dividend totalling \$8.103 million, declared March and May 2018 (2018: \$5 million, declared March 2017). A dividend of \$1.4 million was also declared in March 2019 and is payable after year end.

Transactions between the company and key management personnel

Mr Paul Yovich is a Trustee of Northpower Electric Power Trust. He is also a Trustee of a Shareholder of Busck Prestressed Concrete Limited and a Director and Shareholder of Yovich & Co Limited. During the year Northpower made purchases from Busck Prestressed Concrete Limited of \$2,592,530 (2018: \$2,598,336) and had a balance outstanding at 31 March 2019 of \$201,313 (2018: \$327,332), and sales to Busck Prestressed Concrete Limited of nil (2018: \$4,515). During the comparative year Yovich & Co Limited sold Fonterra shares on behalf of the Group and received commission of \$13,653 for this transaction.

Mrs Nikki Davies-Colley is the Chairman of the Northpower Board and a Director of Farmlands Trading Society Limited, Worksafe NZ and director of Landcorp Farming Limited (until 30/04/2018). During the year Northpower made purchases from Farmlands Trading to the value of \$18,858 (2018: \$10,796) and had a balance outstanding at 31 March 2019 of \$637 (2018: \$1,737). There were no transactions with Landcorp Farming during the year while Mrs Davies-Colley was a director of that organisation (2018: nil). During the year Northpower made purchases from worksafe to the value of \$477 (2018: Nil) and had a balance outstanding at 31 March 2019 of nil (2018: nil).

For part of the comparative year (January to July 2017), two directors, Mrs Nikki Davies-Colley and Mr Mark Trigg undertook executive responsibilities and became Managing Director and Executive Director respectively. The purpose was to bolster the executive team through the transition period between the retirement of both the incumbent Chief Executive and the General Manager Networks and the commencement of a replacement CEO. The total remuneration received as executives during the year ended 31 March 2018 for that period was: Mrs Davies-Colley \$56,875 and Mr Trigg \$75,716.

Mr Ercoli Angelo is a Trustee of Northpower Electric Power Trust. He is also a Director/Shareholder of Strada Eleven Limited. During the year Northpower made purchases from Strada Eleven Limited of \$3,548 and had a balance outstanding at 31 March 2019 of nil.

For part of the comparative year, Mr A R Beach was a director of Northpower Western Australia Pty Limited and West Coast Energy Pty Limited. During the 2018 year Mr Beach provided assistance with managing the closure of the West Coast Energy business and was paid fees totalling \$52,994 for these services.

Ms Josie Boyd is a member of key management of Northpower and is a Board member of the Electricity Engineers' Association (2018: Mr Richard Pearce) and during the year Northpower made purchases from this organisation totalling \$38,938 (2018: \$36,860).

No provision has been required, nor any expense recognised for impairment of receivables from related parties.

Annual Plan

The Northpower Electric Power Trust (the Trust) was established in 1993 as a **Consumer Trust** in accordance with the Northpower Establishment Plan. This Plan was developed with extensive public consultation as required by Section 18 of the Energy Companies Act 1992.

The Objective of the Trust is to hold the shares in Northpower Ltd on behalf of the consumers of the Kaipara and Whangarei Districts.

There are seven Trustees (two from Kaipara and five from Whangarei) who are elected every three years following the Local Body elections.

The Trustees are required by the Trust Deed and law to:

- a) Encourage and facilitate Northpower Ltd to operate as a successful business.
- b) Distribute to consumers in their capacity as owners, the benefits of ownership of the shares of Northpower Ltd.
- c) Appoint Directors to Northpower Ltd as provided for in the Northpower Ltd constitution.
- d) Act as a diligent shareholder and monitor the performance of the Directors.

Trustees are specifically prohibited from participating in the management or operation of Northpower Ltd.

In carrying out their responsibilities in accordance with the Trust Deed and the law, the Trustees will specifically:

1. Protect the value of the Trust assets and act as prudent Trustees

- 1.1. Seek a fair commercial return from the Trust investment in Northpower Ltd.
- 1.2. Seek to minimise the risk of the Trust investments in Northpower Ltd.
- 1.3. Manage cash assets including dividends received in a way that maximises the benefit to Trust beneficiaries.

2. Northpower Limited

- 2.1. Exercise the rights and responsibilities of diligent shareholders in Northpower Ltd for the benefit of the Trust Fund and with due regard to the objective of Northpower Ltd to be a successful business. In doing so, take proper account of the growth of Northpower and the impact of the changing economy.
- 2.2. Advertise publicly that Trustees seek prospective directors for Northpower Ltd in accordance with clause 9.1 of the Trust Deed and the Constitution of the Company.
- 2.3. Appoint directors to fill any vacancies in accordance with the provisions of the Trust Deed and the Company's Constitution.
- 2.4. Monitor the performance of Directors.
- 2.5. Agree on the Northpower Statement of Corporate Intent with the directors of Northpower Ltd and make the completed Statement of Corporate Intent available to the public.
 - 2.5.1. As 100% owners of Northpower Ltd, although specifically prohibited from participating in the management of Northpower Ltd, the Trustees may be ultimately responsible for some of the company's actions.

The Trustees will require, through the Statement of Corporate Intent, as well as achievement of specific targets for financial and operational performance, assurances from the Directors that effective measures are in place to avoid or minimise financial, operational, and health and safety risks.
- 2.6. Meet with the Board or its representatives of Northpower Ltd at least four times a year to consider the performance of Northpower Ltd in relation to the Statement of Corporate Intent and other matters of ownership.
- 2.7. Attend the Annual Meeting of Northpower Ltd and exercise the rights and responsibilities of shareholders at that meeting and at any other general meeting of the company.

Annual Plan

3. Income

- 3.1. Receive dividends from Northpower Ltd.
- 3.2. Hold and invest dividends from Northpower Ltd for at least six months before distribution to satisfy clause 5.3 of the Trust Deed.
- 3.3. To manage all remaining income received from Northpower Ltd for the benefit of consumers as provided in the Trust Deed.
- 3.4. The Trustees have reached agreement with the Northpower Ltd Directors to implement a new discount policy commencing in the 2019-2020 year. Consumers will receive a discount on their electric lines charges in November or December in place of the Trust distribution that has been made in the past. This will reduce the dividend paid to the Trust but increase the benefit to most consumers.

4. Chairperson

The Trustees have elected Erc Angelo as Chairperson in accordance with the Trust Deed for a three year term ending in November 2019.

5. Deputy Chairperson

The trustees have elected Richard Drake in accordance with the Trust Deed for a three year term ending in November 2019.

6. Secretary

The Trustees have appointed Plus Chartered Accountants to provide secretarial and accounting services to the Trust.

7. Security of electricity supply

Transmission and generation

The Trust will cooperate with the company and with ETNZ to encourage appropriate grid and network improvements and adequate generation capacity to service Northpower Ltd consumers' needs.

8. ETNZ

The Trust is a member of the Energy Trusts of New Zealand Inc. The Trust will seek efficiency in the ETNZ in its objectives of facilitating the operations of Energy Trusts as significant owners of Energy Companies and in supporting trusteeship of Energy Trusts.

9. Communication

The Trust will inform consumers of its activities through the news media and through newsletters as appropriate.

Information and Trust reports can be found in the ownership section of Northpower's website - <https://northpower.com/company/about-us/ownership>. The Trust will also maintain a free call telephone number 0800 434 100 and an email address trustees@northpower.com for the benefit of consumers who wish to contact the Trust. The postal address is P O Box 1609, Whangarei.

10. Code of practice

The Trust has developed and published a 'Code of Practice' that describes the way Trustees will provide accountability to, and access to information for the Trust's beneficiaries. This was first presented for confirmation at the AGM in July 2003, and will be reviewed at each AGM.

11. Trustee manual

Trustees have developed a manual to guide trustees and the secretariat in the governance and administration of the Trust in accordance with the Trust deed the Northpower Establishment Plan, and the legislation.

The Manual records the various legislation that affects energy trusts and some legal advice that provides assistance in understanding the responsibilities of the Trustees.

12. Election of Trustees

As required by the Deed of Trust, the Trust will be holding an election on 23rd November 2019 by postal ballot and with an online voting option.

The Trustees have contracted Independent Election Services Ltd to undertake the election.

Code of Practice

The Northpower Electric Power Trust will seek to achieve “Best Practice” in all its activities. Trustees and officers of the Trust will fulfill all their obligations under the Trust Deed and the law.

Purpose of the Trust:

The Northpower Electric Power Trust is established to hold all the shares in Northpower Ltd. [the Company], to appoint Directors to the Company, to agree each year on a Statement of Corporate Intent with the Company, to receive any dividends from the Company and to distribute any income received to the beneficiaries of the Trust in accordance with the Trust Deed or to reinvest it in the Company.

Operation of the Trust:

The Trustees meet as required, usually monthly, to deal with Trust business that may include: Correspondence and beneficiary enquiries, finance, monitoring the performance of Northpower Ltd Directors and the company's performance against the Statement of Corporate intent, dividends and distributions as they arise, ownership and legislative issues, liaison with the Electricity Trusts of New Zealand, any other matters affecting the Trust.

Beneficiaries:

A legal description of the beneficiaries is contained in the Trust Deed, but they can generally be described as consumers who at any time designated by the Trustees, are persons named in the records of the Company as persons whose premises are connected to the Company's distribution network.

Entitlement to Information:

Trustees will make available to the public any completed Statement of Corporate Intent and the audited Annual Financial Statements of Account of the Trust.

In addition, the Trustees will each year prepare an Annual Plan describing the intended actions of the Trust for the ensuing year and an Annual Report that describes the activities of the Trust in the last financial year, assesses the performance of the Trust against the last year's Annual Plan, and reports the performance of the Company in meeting the targets of the Statement of Corporate intent.

Trustees will ensure that beneficiaries are able to receive in a timely manner, the above information and any other information that they are legally entitled to under the Trustee Act 1956, the Northpower Electric Power Trust Deed, and any other rule of law.

Trustees will also from time to time as appropriate, provide general information about the Trust and its activities to beneficiaries through the news media, newsletters, or other media.

Code of Practice

Procedures for Requesting Information:

Beneficiaries may seek information from the Trust by:

- a. A telephone request through the Trust's free call telephone number 0800 434 100.
- b. Writing to the Secretary of the Trust at P.O. Box 1609, Whangarei.

Every request by a beneficiary for information shall be dealt with promptly and in a courteous businesslike manner.

All information that a beneficiary is entitled to will be made available for inspection on the Trust's web pages, at the office of the Trust or such other place that the Trust determines during ordinary office hours free of charge.

Copies of any documents that a beneficiary is legally entitled to will be made available for purchase at a reasonable price.

Any beneficiary may seek a review of the way a request for information has been dealt with by making a formal request for review in writing to the Secretary of the Trust.

Any request for review will be recorded and will be placed before the next meeting of Trustees for consideration and a formal response to the beneficiary.

The Annual Report will record the number of reviews sought and the way they have been determined.

Annual Meeting:

The Trust will, within four months of the end of each Financial Year, hold an Annual Meeting in the District, that is open to the public in accordance with the Trust Deed.

The Trustees will publish a notice of the Annual Meeting in the news section of at least two separate editions of the *Northern Advocate*, *Whangarei Report*, *The Kaipara Lifestyler* and *The Leader*.

The first notification will be published not less than 14 days before the Annual Meeting and will include advice:

- That financial statements have been prepared and audited and are available to the public
- Of where copies are available.
- That a quorum at the Annual Meeting is 20 beneficiaries
- That every beneficiary has a vote

Rights of Review of Acts and Decisions of Trustees:

Trustees will report to the Annual Meeting on the way in which requests for review have been dealt with and on any unresolved requests for review.

Review of Code of Practice:

Trustees will review this Code of Practice each year and will provide an opportunity for beneficiaries to comment on it during each "Ownership Review". Ownership reviews must be held at intervals of no more than five years.





Freephone: 0800 434 100

P.O. Box 1609, Whangarei

<https://northpower.com/company/about-us/ownership>

Erc Angelo	09 435 2435
Richard Drake	09 433 2522
Irene Durham	021 888 379
Sheena McKenzie	021 439 157
Ross Provan	09 437 3341
Bill Rossiter	09 437 2807
Paul Yovich	021 829 339

Secretariat

Plus Chartered Accountants Ltd

Brent Martin 09 438 3322

