NORTHPOWER ELECTRIC POWER TRUST AND SUBSIDIARIES

FINANCIAL STATEMENTS

For the Year Ended

31 March 2020

Key Performance Metrics

	FY20 Actual	FY20 Target	FY19 Actual
Financial KPIs			
Net profit after tax/shareholder funds	**6.3%**	**≥ 4.8**	9.6%
Capital ratio	**55.5%**	**55.0%**	59.2%
Debt Coverage Ratio	**3.3**	**≤4.5 times**	1.6
Posted discount	**$10.1m**	**≥$10.9m**	-
Dividend paid	**-**	-	$1.4m
Distribution to consumers	**-**	-	$7m
Non- Financial KPIs			
Safety			
Lost Time injuries (LTIs)	**14**	0[1]	11
Total Recordable Injury Frequency Rate (TRIFR)	**17.27**	**≤8**	15.75
Northpower Electricity Network			
Network reliability (SAIDI)			
Planned	**104.9**	**<80**	71.6
Unplanned	**145.2**	**<90**	110.6
Average number of faults per 100km of line	**12.2**	**<10**	9.4
Network interruptions (SAIFI)	**3.5**	**≤2.5**	-[2]
Customer satisfaction (residential)	**92%**	**≥85%**	96%
Customer satisfaction (commercial)	**91%**	**≥85%**	88%
Northpower Fibre Network			
Network availability (max downtime)			
Layer 1	**8.19**	≤120 min	1.92
Layer 2	**17.26**	≤30 min	9.89
Faults (max downtime)			
Layer 1	**100%**	99% < 48 hours	100%
Layer 2	**100%**	99% < 12 hours	100%
Service level performance			
Residential	**96%**	**≥95%**	97%
Commercial	**92%**	**≥95%**	98%

[1] The LTI target for FY20 is zero; [2] New KPI in FY20

Statement of Comprehensive Income

	Notes	Consolidated 2020 $000s	Consolidated 2019 $000s	Trust 2020 $000s	Trust 2019 $000s
Revenue from contracts with customers	2	**368,887**	361,237	**-**	-
Other income		**2,258**	2,245	**-**	1,513
Materials and supplies		**(165,385)**	(154,078)	**-**	-
Employee benefits	6	**(129,830)**	(120,364)	**-**	-
Transmission costs		**(18,639)**	(20,422)	**-**	-
Depreciation and amortisation		**(28,592)**	(15,125)	**-**	-
Other expenses	3	**(4,993)**	(15,948)	**(542)**	(379)
Net Finance cost	4	**(5,361)**	(3,098)	**33**	146
Share of profit in associate	21	**1,815**	684	**-**	-
Profit before income tax		**20,160**	35,131	**(509)**	1,280
Income tax expense	10	**(4,023)**	(10,722)	**97**	(28)
Profit for the year attributable to the equity holders of the Trust		**16,137**	24,409	**(412)**	1,252
Other comprehensive income					
Items that may be reclassified to profit or loss					
Exchange differences on translation of foreign operations	16	**88**	119	**-**	-
Net fair value gains on derivatives designated as FVTPL attributable to changes in credit risk	16	**(20)**	161	**-**	-
Net gain on revaluation of property, plant & equipment, net of tax	13,16	**-**	(18,156)	**-**	-
Other comprehensive income/(loss) for the period, net of tax		**68**	(17,876)	**-**	**-**
Total comprehensive income for the year attributable to the equity holders of the Trust		**16,205**	6,533	**(412)**	**1,252**

The above statement should be read in conjunction with the accompanying notes.

These financial statements are authorised for issue on 17 July 2020, for and on behalf of the Board of Trustees:

Ercoli Angelo
Chairman

Sheena McKenzie
Deputy Chair

BDO Northland ASSURANCE BDO

Balance Sheet

	Notes	Consolidated 2020 $000s	Consolidated 2019 $000s	Trust 2020 $000s	Trust 2019 $000s
Assets					
Current assets					
Cash and cash equivalents		**2,086**	3,253	**73**	112
Trade and other receivables	8	**54,320**	44,557	**169**	1,585
Short term investments		**1,575**	624	**1,575**	624
Contract assets	2	**25,258**	23,671	**-**	-
Tax receivable		**4,729**	119	**107**	119
Derivatives	18	**33**	-	**-**	-
Inventory	5	**9,649**	9,326	**-**	-
Total current assets		**97,650**	81,550	**1,924**	2,440
Non-current assets					
Intangible assets	12	**19,810**	21,975	**-**	-
Investment in subsidiary	21	**-**	-	**35,989**	35,989
Investment in associate	21	**32,461**	25,456	**-**	-
Right of use assets	14	**67,582**	-	**-**	-
Assets under construction		**16,750**	10,219	**-**	-
Property, plant and equipment	13	**338,278**	319,621	**-**	-
Total non-current assets		**474,881**	377,271	**35,989**	35,989
Total assets		**572,531**	458,821	**37,913**	38,429
Liabilities					
Current liabilities					
Trade and other payables	9	**38,578**	28,887	**20**	27
Contract liabilities	2	**12,525**	14,937	**-**	-
Employee entitlements	6	**13,844**	14,602	**-**	-
Provision for tax		**-**	4,960	**-**	-
Derivatives	18	**280**	88	**-**	-
Borrowings	17	**45,000**	40,000	**-**	-
Total current liabilities		**110,227**	103,474	**20**	27
Non-current liabilities					
Employee entitlements	6	**709**	736	**-**	-
Lease liabilities	14	**68,481**	-	**-**	-
Borrowings	17	**41,115**	21,882	**-**	-
Deferred revenue	7	**6,024**	4,342	**-**	-
Derivatives	18	**5,613**	4,384	**-**	-
Deferred tax	11	**50,963**	50,809	**-**	97
Total non-current liabilities		**172,905**	82,153	**-**	97
Total liabilities		**283,132**	185,627	**20**	124
Net assets		**289,399**	273,194	**37,893**	38,305
Equity					
Equity attributable to equity holders of the Trust	16	**289,399**	273,194	**37,893**	38,305
Total equity		**289,399**	273,194	**37,893**	38,305

The above statement should be read in conjunction with the accompanying notes.

BDO Northland ASSURANCE BDO

Consolidated Statement of Changes in Equity

Consolidated	Notes	Trust Capital	Retained Earnings	Other Reserves	Asset Revaluation Reserve	Foreign Currency Translation Reserve	Total
		$000s	$000s	$000s	$000s	$000s	$000s
As at 1 April 2019		**35,989**	**220,467**	**345**	**19,311**	**(2,918)**	**273,194**
Profit for the period		**-**	**16,137**	**-**	**-**	**-**	**16,137**
Other comprehensive income for the period		**-**	**-**	**(20)**	**-**	**88**	**68**
Total comprehensive income for the period, net of tax		**-**	**16,137**	**(20)**	**-**	**88**	**16,205**
Transactions with owners in their capacity as owners		-	-	-	-	-	-
As at 31 March 2020		**35,989**	**236,604**	**325**	**19,311**	**(2,830)**	**289,399**
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
Net gain on revaluation of property, plant & equipment	16	-	-	-	(18,156)	-	(18,156)
Total comprehensive income for the period, net of tax		-	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

Trust	Notes	Trust Capital	Retained Earnings	Total
		$000s	$000s	$000s
As at 1 April 2019		**35,989**	**2,316**	**38,305**
Profit for the period		**-**	**(412)**	**(412)**
Other comprehensive income for the period		**-**	**-**	**-**
Total comprehensive income for the period, net of tax		**-**	**(412)**	**(412)**
Transactions with owners in their capacity as owners		-	-	-
As at 31 March 2020		**35,989**	**1,904**	**37,893**
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, net of tax		-	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

The above statement should be read in conjunction with the accompanying notes.

BDO Northland ASSURANCE BDO

Cash Flow Statement

	Notes	Consolidated 2020 $000s	Consolidated 2019 $000s	Trust 2020 $000s	Trust 2019 $000s
Operating activities					
Receipts from customers		**361,158**	350,274	**-**	-
Interest received		**105**	270	**27**	144
Dividends received		**1,322**	2,911	**1,410**	8,103
Payments to suppliers		**(185,604)**	(184,879)	**(537)**	(357)
Payments to employees		**(130,615)**	(120,713)	**-**	-
Interest paid		**(5,299)**	(3,781)	**-**	-
Income tax paid		**(13,439)**	(9,224)	**12**	(486)
Net GST paid		**-**	(48)	**-**	-
Net cash inflows from operating activities	15	**27,628**	34,810	**912**	7,404
Investing activities					
Proceeds from sale of property, plant and equipment		**826**	2,238	**-**	-
Purchase of intangible assets		**(3,189)**	(3,137)	**-**	-
Purchase of property, plant and equipment		**(33,871)**	(28,934)	**-**	-
Proceeds from sale of other financial assets		**-**	34	**-**	-
Investment in joint venture		**(6,512)**	(1,149)	**-**	-
Sales/(Purchase) of short term investment		**(951)**	(624)	**(951)**	(624)
Net cash outflows from investing activities		**(43,697)**	(31,572)	**(951)**	(624)
Financing activities					
Drawdown of borrowings		**25,905**	2,825	**-**	-
Repayment of lease liabilities		**(11,091)**	-	**-**	-
Distribution to consumers	16	**-**	(7,050)	**-**	(7,050)
Net cash inflows/(outflows) from financing activities		**14,814**	(4,225)	**-**	(7,050)
Net increase in cash and cash equivalents		**(1,255)**	(987)	**(39)**	(270)
Net foreign exchange differences		**88**	119	**-**	-
Cash and cash equivalents at the beginning of the year		**3,253**	4,121	**112**	382
Cash and cash equivalents at the end of the year		**2,086**	3,253	**73**	112

The above statement should be read in conjunction with the accompanying notes.

BDO Northland ASSURANCE BDO

Notes to the summary financial statements

1. General Information and significant matters

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.

The Company was formed under the Energy Companies Act 1992 and registered under the Companies Act 1993. The financial statements presented are for Northpower Electric Power Trust Group (or "the Group") as at, and for the year ended 31 March 2020. The Group consists of Northpower Electric Power Trust, Northpower Limited, its subsidiaries and its investment in joint operations. The principal activity of the Trust is to hold shares in Northpower Limited on behalf of consumer beneficiaries. The principal activities of the Company are electricity distribution and contracting. The principal activities of the subsidiaries are telecommunications and acoustic testing.

Basis of preparation

The financial statements comply with New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS'), and other applicable Financial Reporting Standards, as appropriate for Tier 1 for-profit entities. They also comply with International Financial Reporting Standards.

The financial statements have been prepared on an historical cost basis except for the revaluation of derivatives, other financial assets, distribution system assets, and land and buildings.

The presentation currency is New Zealand dollars ($) which is the Trust's functional currency. All financial information has been rounded to the nearest thousand unless otherwise stated.

The statement of comprehensive income and changes in equity are stated exclusive of GST. All items in the balance sheet and cash flow statement are stated exclusive of GST except for trade receivables, trade payables, receipts from customers, and payments to suppliers which include GST. The Trust is not registered for GST and therefore the Trust financial statements are inclusive of any GST.

Significant accounting policies

Accounting policies, and information about judgements, estimations and assumptions that have had a significant effect on the amounts recognised in the financial statements are disclosed in the relevant notes as follows:

- Revenue from contracts with customers (Note 2)
- Trade and other receivables (Note 19)
- Intangible assets (Note 12)
- Property, plant and equipment (Note 13)
- Trade and other payables (Note 9)
- Financial risk management – objectives and policies (Note 19)
- Related parties (Note 21)

BDO Northland ASSURANCE BDO

Comparatives

Certain comparatives have been restated to ensure consistency with current year presentation as follows:

— Interest income is included in net finance cost in note 4. It was previously included in other income.

— Net gain on revaluation of property, plant and equipment is presented net of tax in other comprehensive income.

New accounting standards and interpretations adopted

On 1 April 2019 a new accounting standard NZ IFRS 16: *Leases* was adopted. Refer to Note 14 for details of accounting policies and impact from adoption of NZ IFRS 16.

Standards issued but not yet effective

The following new accounting standards are not expected to have a material impact for the Group:

- amendments to NZ IFRS 3 Definition of a Business, effective for reporting periods beginning on or after 1 January 2020: The amendments aim to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets.
- amendments to NZ IAS 1 and NZ IAS 8 Definition of Material, effective beginning on or after 1 January 2020: The amendments have been issued to make the definition of 'material' in NZ IAS 1 easier to understand.
- 2019 Omnibus Amendments to NZ IFRS, effective for reporting periods beginning on or after 1 January 2020: amends FRS 44 to require that if an IFRS has been issued by the IASB but the equivalent NZ IFRS has not yet been issued by the NZASB, the information specified in paragraphs 30 and 31 of NZ IAS 8 should be disclosed. The amendments make various other editorial corrections to various NZ IFRSs.
- amendments to NZ IAS 1 Classification of Liabilities as Current and Non-current, effective for reporting periods beginning on or after 1 January 2022: The IASB issued a narrow-scope amendment to IAS 1 to clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.
- Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture (Amendments to NZ IFRS 10 and NZ IAS 28), effective for reporting periods beginning on or after 1 January 2025: Clarifies the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. The amendments confirm that the accounting depends on whether the contributed assets constitute a business or an asset.

The following new accounting standards are not expected to have an impact because they are not relevant to the group's current activities or are not required:

- amendments to NZ IFRS 9, NZ IAS 39 and NZ IFRS 7 Interest Rate Benchmark Reform, effective 1 January 2020. The amendments affect entities that apply the hedge accounting requirements of NZ IFRS 9 or NZ IAS 39 to hedging relationships directly affected by the interest rate benchmark reform
- NZ IFRS 17 Insurance Contracts: - NZ IFRS 17 Insurance Contracts has been issued to replace NZ IFRS 4. This standard is effective 1 January 2021.

BDO Northland ASSURANCE BDO

2. Revenue from contracts with customers

	Consolidated	
	2020	2019
	$000s	$000s
Revenue recognised over time		
Electricity distribution revenue	**63,880**	74,719
Metering	**885**	637
Electricity generation	**1,767**	2,726
Fibre telecommunication services	**1,691**	585
Contracting revenue - electricity industry	**292,582**	273,059
Contracting revenue - fibre telecommunications industry	**4,119**	5,104
Revenue recognised at a point in time		
Capital contributions	**3,963**	4,407
	368,887	361,237

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.

Part of the network charges is based on normalisation, where consumption is estimated to the end of the billing period based on historical actual meter readings. Occasionally the meter reading history data is not consistent and subsequent adjustments are made to customers' accounts, where further charges are applied or refunds given. These adjustment amounts are not significant compared with total network revenue.

The revenue disclosed above is net of a posted discount of $10.1 million paid during the year to the consumer owners (2019: nil), refer to Note 16.

ii 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.

iii 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.

iv Fibre telecommunication 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.

v 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.

The Group determined that the input method is the best method of measuring progress of the services because there is a direct relationship between cost incurred and the transfer of service to the customer.

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.

vi 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.

vii Capital contributions

Capital contribution revenue represents third party contributions towards the construction of distribution system assets. Revenue is recognised in the comprehensive income statement when the asset is complete.

Contract assets and contract liabilities

Amounts relating to contract assets are balances due from customers under construction contracts that arise when the performance obligations have been completed but not invoiced. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer. The remaining performance obligations at balance date are part of contracts that are estimated to have a duration of one year or less. Hence the Group applied the practical expedient in NZ IFRS 15 in relation to the disclosure of information about remaining performance obligations at balance date.

Contract liabilities relating to construction contracts are balances due to customers under construction contracts. These arise if a particular milestone payment exceeds the revenue recognised to date under the cost-to-cost method. The revenue recognised during the year includes the contract liabilities balance at the beginning of the reporting period.

3. Other expenses

Profit before income tax includes the following specific expenses:

	Consolidated		Trust	
	2020	2019	**2020**	2019
	$000s	$000s	$000s	$000s
Fees to Audit New Zealand for:				
- Audit of financial statements	**215**	208	**-**	-
- Special audits required by regulators	**60**	70	**-**	-
Fees to non Audit New Zealand firms for:				
- Audit of financial statements of subsidiary	**27**	22	**-**	-
- Advisory services	**480**	505	**-**	-
- Audit of Trust	**19**	21	**19**	21
Under provision of prior year audit fees	**63**	-	**-**	-
Fair valuation loss on derivative	**1,368**	1,676	**-**	-
Net (gain)/loss on foreign exchange	**(35)**	255	**-**	-
Directors' fees	**498**	484	**-**	-
Trustees fees and allowances	**220**	224	**220**	224
Other trust expenses	**303**	134	**303**	134
Rental and lease costs	**1,518**	12,343	**-**	-

The rental and lease costs for the 2020 year represent short term leases, leases of low value assets and variable lease costs not included in NZ IFRS 16 costs.

4. Net finance Cost

	Consolidated		Trust	
	2020	2019	**2020**	2019
	$000s	$000s	$000s	$000s
Interest income	**111**	272	**33**	146
Interest expense	**(3,813)**	(3,758)	**-**	-
Capitalised interest	**241**	388	**-**	-
Interest on leases	**(1,900)**	-	**-**	-
Net finance cost	**(5,361)**	(3,098)	**33**	146

Interest income and interest expense is recognised using the effective interest method. Eligible borrowing costs were capitalised at an average interest rate of 2.3% (2019: 2.6%).

5. Inventory

Inventory is stated at the lower of cost and net realisable value. Inventory comprises of finished goods. The carrying amount of inventory held for distribution is measured on a weighted average cost basis. Inventory issued of $26.1 million was recognised in the profit or loss during the year (2019: 28.6 million). Inventory written down during the period amounted to nil (2019: nil). No inventory was pledged as securities for liabilities, however some inventory is subject to retention of title clauses.

BDO Northland ASSURANCE BDO

6. Employee benefits & entitlements

	Consolidated	
	2020	2019
	$000s	$000s
Salaries & wages	**126,398**	117,462
Defined contribution plan employer contributions	**4,217**	3,251
Movement in employee entitlements	**(785)**	(349)
Total employee benefit expenses	**129,830**	120,364

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

Compensation of key management personnel

	Consolidated		Trust	
	2020	2019	**2020**	2019
	$000s	$000s	$000s	$000s
Short-term employee benefits	**3,337**	3,176	**220**	224
Termination benefits	**-**	137	**-**	-
Total compensation of key management personnel	**3,337**	3,313	**220**	224

	Consolidated	
	2020	2019
	$000s	$000s
Current employee entitlements are represented by:		
Accrued salaries & wages	**2,724**	4,496
Annual leave	**10,310**	9,439
Sick leave	**810**	667
Total current portion	**13,844**	14,602
Non-current employee entitlements are represented by:		
Retirement & long service leave	**709**	736
Total non-current portion	**709**	736
Total employee entitlements	**14,553**	15,338

The group accrues for employee benefits which remain unused at balance date, and amounts expected to be paid under bonus and other entitlements.

BDO Northland ASSURANCE BDO

7. Deferred revenue

	Consolidated	
	2020	2019
	$000s	$000s
Balance at 1 April	**4,342**	2,250
Received during the year	**1,930**	2,218
Income recognised during the year	**(248)**	(126)
Balance at 31 March	**6,024**	4,342

The Group has received an interest free loan from the Government for construction of fibre network assets and the loan is recognised at its fair value when received, refer to note 17. The difference between the amount received and the fair value is recognised as government grant in accordance with NZ IAS 20. As the grant relates to the construction of property, plant and equipment it has been included in non-current liabilities as deferred revenue and is recognised in the profit or loss over the periods necessary to match the related depreciation charges, or other expenses of the asset as they are incurred.

8. Trade and other receivables

		Consolidated		Trust	
	Note	**2020**	2019	**2020**	2019
		$000s	$000s	$000s	$000s
Trade receivables		**44,397**	43,083	**164**	1,573
Less provision for impairment	19	**(489)**	(169)	**-**	-
Wages subsidy receivable	9	**9,008**	-	**-**	-
Prepayments		**1,404**	1,643	**5**	12
Total		**54,320**	**44,557**	**169**	1,585

9. Trade and other payables

		Consolidated		Trust	
	Note	**2020**	2019	**2020**	2019
		$000s	$000s	$000s	$000s
Trade payables		**21,099**	20,657	**20**	27
Accrued payables		**9,071**	8,230	**-**	-
Wages subsidy payable	8	**8,408**	-	**-**	-
Total		**38,578**	28,887	**20**	27

In March 2020, the New Zealand Government announced a wages subsidy scheme which provides government financial assistance to employers to help pay employee salary and wages for a 12-week period. This assistance qualifies as a government grant within the scope of NZ IAS 20. The wages subsidy receivable is recognised as an asset when the claim is submitted along with a corresponding liability until the conditions attached to the grant are satisfied. As and when the Group pays the salaries or wages to the employees, the wages subsidy payable is reduced and recognised as income in profit or loss. In March 2020, $0.6 million relating to wages subsidy was recognised as income. The wages subsidy was received in full from the Government in April 2020.

BDO Northland ASSURANCE BDO

10. Income tax expense

	Notes	Consolidated 2020 $000s	Consolidated 2019 $000s	Trust 2020 $000s	Trust 2019 $000s
Profit before income tax		**20,160**	35,131	**(509)**	1,280
At New Zealand's statutory tax rate of 33% for Trust (2019: 33%)		**6,653**	11,593	**(168)**	422
Effect of lower tax rate in Company (28%)		**(1,034)**	(1,663)	**-**	-
Plus/(less) tax effect of:					
- Gross up of imputation credit		**-**	-	**-**	194
- Imputation credit attached to dividend received		**-**	-	**-**	(588)
- Non-deductible expense		**222**	160	**-**	-
- Non-taxable income		**(97)**	(35)	**-**	-
- Tax benefit not recognised		**71**	-	**71**	-
- Prior period adjustment		**(70)**	43	**-**	-
Adjustment for joint venture		**(505)**	(191)	**-**	-
Deferred tax on buildings due to reinstatement of tax depreciation	11	**(1,643)**	-	**-**	-
Tax on income not included in accounting profit		**426**	815	**-**	-
		4,023	10,722	**(97)**	28
The taxation charge is represented by:					
- Current taxation		**4,248**	8,234	**-**	486
- Deferred taxation		**154**	2,445	**(97)**	(458)
- Prior period adjustment relating to current tax		**(379)**	(190)	**-**	-
- Prior period adjustment relating to deferred tax		**-**	233	**-**	-
		4,023	10,722	**(97)**	28
Imputation credits available for use in subsequent reporting periods		**55,681**	49,300	**-**	-

Income tax expense comprises current and deferred tax using tax rates and tax laws that have been enacted or substantively enacted at balance date. Current tax is the income tax payable based on the taxable profit for the current year, plus any adjustments to income tax payable in respect of prior years.

Deferred tax is the amount of income tax payable or recoverable 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 tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset or liability in a transaction that affects neither accounting profit nor taxable profit.

Current and deferred tax is recognised against the profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

BDO Northland ASSURANCE

11. Deferred Tax

Consolidated	Property, Plant & Equipment	Employee entitlements	Other	Total
	$000s	$000s	$000s	$000s
Balance as at 1 April 2019	**(49,943)**	**3,593**	**(4,459)**	**(50,809)**
Charged to profit/(loss)	**(506)**	**(199)**	**551**	**(154)**
Balance as at 31 March 2020	**(50,449)**	**3,394**	**(3,908)**	**(50,963)**
Balance as at 1 April 2018	(56,175)	3,440	(3,081)	(55,816)
Charged to profit/(loss)	(1,453)	153	(1,378)	(2,678)
Charged to other comprehensive income	7,685	-	-	7,685
Balance as at 31 March 2019	(49,943)	3,593	(4,459)	(50,809)

Trust	Other	Total
	$000s	$000s
Balance as at 1 April 2019	**(97)**	**(97)**
Charged to profit/(loss)	**97**	**97**
Balance as at 31 March 2020	**-**	**-**
Balance as at 1 April 2018	(555)	(555)
Charged to profit/(loss)	458	458
Balance as at 31 March 2019	(97)	(97)

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. It is measured at tax rates that are expected to be applied to the temporary differences when they reverse.

The New Zealand Government enacted the COVID-19 Response (Taxation and Social Assistance Urgent Measures) Act (‘COVID-19 Act’) on 25 March 2020. The bill reintroduced tax depreciation of non-residential buildings with an estimated useful of 50 years or more. This change in legislation impacts buildings held for use on which deferred tax is recognised on a recovery through use as defined in NZ IAS 12 *Income Taxes.* As a result of this change in legislation, a deferred tax asset of $1.6 million was recognised at balance date with a corresponding adjustment made to the tax expense in profit or loss.

BDO Northland ASSURANCE BDO

12. Intangible assets

Intangible assets are initially measured at cost and subsequently carried at cost less any accumulated amortisation and any accumulated impairment losses. The amortisation expense of intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset. Easements are deemed to have an indefinite life and are not amortised. There is no intangible asset whose title is restricted.

Software costs have a finite useful life and are amortised over a period of expected future benefit of 5 – 10 years on a straight line basis.
Goodwill is allocated to the Group's cash-generating units, being the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other groups of assets. Goodwill is not amortised but is subject to impairment testing on an annual basis or whenever there is an indicator of impairment.

The calculation of value in use in calculations for all cash generating unit is most sensitive to movements in gross margin, discount rates and growth rates. Gross margins are based on the expected results as per next year's budget and future years' forecasts. Discount rates are based on the company's internal return on investment hurdle rate.

The Directors have considered the variability of the key assumptions underlining the carrying amounts for the intangible assets set out above. The Directors believe that the range of reasonable variability would not cause a material change in these carrying amounts.

	Consolidated			
	Goodwill	Software	Easements	Total
	$000s	$000s	$000s	$000s
Cost				
At 1 April 2019	4,122	32,224	453	36,799
Addition	-	1,147	-	1,147
At 31 March 2020	**4,122**	**33,371**	**453**	**37,946**
Accumulated amortisation				
At 1 April 2019	(1,745)	(13,079)	-	(14,824)
Amortisation for the year	-	(3,312)	-	(3,312)
At 31 March 2020	(1,745)	(16,391)	-	(18,136)
Net carrying amount at 31 March 2020	**2,377**	**16,980**	**453**	**19,810**
Cost				
At 1 April 2018	4,122	19,997	453	24,572
Transfers		(26)		(26)
Addition	-	12,253	-	12,253
At 31 March 2019	**4,122**	**32,224**	**453**	**36,799**
Accumulated amortisation				
At 1 April 2018	(1,745)	(11,276)	-	(13,021)
Amortisation for the year	-	(1,803)	-	(1,803)
At 31 March 2019	(1,745)	(13,079)	-	(14,824)
Net carrying amount at 31 March 2019	**2,377**	**19,145**	**453**	**21,975**

BDO Northland ASSURANCE BDO

Allocation of goodwill to cash-generating units

	Consolidated	
	2020	2019
	$000s	$000s
Northern contracting	**877**	877
Central contracting	**1,500**	1,500
	2,377	2,377

Impairment of non-financial assets other than inventory and goodwill

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss if any. Where the carrying value of an asset exceeds its recoverable amount i.e. the higher of value in use and fair value less costs to sell, the asset is written down accordingly. Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the smallest group of assets or cash-generating unit to which it belongs for which there are separately identifiable cash flows. Based on the impairment assessment of the cash generating units, no impairment was required for the year.

Impairment charges are included in profit or loss, except to the extent they reverse gains previously recognised in other comprehensive income. A reversal of an impairment loss is recognised in the comprehensive income statement immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment is treated as a revaluation increase through other comprehensive income.

13. Property, plant and equipment

Consolidated

	Freehold Land	Freehold Buildings	Building Infrastructure	Leasehold Improvements	Distribution Systems	Meters	Fibre	Generation	Plant & Equipment	Motor Vehicles	Total
	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s
Cost or fair value											
At 1 April 2019	9,633	8,590	2,813	2,766	259,702	5,452	14,735	15,871	43,439	14,513	377,514
Addition	-	-	201	578	18,469	189	7,475	3	5,699	53	32,667
Transfers	-	-	(9)	-	-	-	-	-	(21)	30	-
Disposal	-	-	(2)	-	(57)	-	-	-	(263)	(3,292)	(3,614)
At 31 March 2020	**9,633**	**8,590**	**3,003**	**3,344**	**278,114**	**5,641**	**22,210**	**15,874**	**48,854**	**11,304**	**406,567**
Accumulated depreciation											
At 1 April 2019	-	-	-	(745)	-	(5,305)	(1,812)	(9,807)	(29,152)	(11,072)	(57,893)
Depreciation charge for the year	-	(280)	(133)	(203)	(7,584)	(28)	(799)	(502)	(3,464)	(297)	(13,290)
Transfers	-	-	-	-	-	-	-	-	8	(8)	-
Disposal	-	-	-	-	10	-	23	-	228	2,633	2,894
At 31 March 2020	**-**	**(280)**	**(133)**	**(948)**	**(7,574)**	**(5,333)**	**(2,588)**	**(10,309)**	**(32,380)**	**(8,744)**	**(68,289)**
Net carrying amount at 31 March 2020	**9,633**	**8,310**	**2,870**	**2,396**	**270,540**	**308**	**19,622**	**5,565**	**16,474**	**2,560**	**338,278**
Cost or fair value											
At 1 April 2018	8,027	7,865	2,520	2,118	331,834	5,569	4,333	15,746	41,272	21,477	440,761
Addition	-	-	382	422	15,941	127	10,402	119	4,954	304	32,651
Transfers	-	(110)	(192)	240	318	(244)	-	6	3	4	25
Revaluation adjustment	1,606	835	103	-	(88,334)	-	-	-	-	-	(85,790)
Disposal	-	-	-	(14)	(57)	-	-	-	(2,790)	(7,272)	(10,133)
At 31 March 2019	**9,633**	**8,590**	**2,813**	**2,766**	**259,702**	**5,452**	**14,735**	**15,871**	**43,439**	**14,513**	**377,514**
Accumulated depreciation											
At 1 April 2018	-	(410)	(200)	(556)	(51,087)	(5,316)	(1,234)	(9,305)	(28,732)	(15,886)	(112,726)
Depreciation charge for the year	-	(222)	(128)	(164)	(7,760)	(171)	(578)	(502)	(3,022)	(775)	(13,322)
Transfers	-	17	14	(28)	(183)	182	-	-	-	-	2
Revaluation adjustment	-	615	314	-	59,020	-	-	-	-	-	59,949
Disposal	-	-	-	3	10	-	-	-	2,602	5,589	8,204
At 31 March 2019	**-**	**-**	**-**	**(745)**	**-**	**(5,305)**	**(1,812)**	**(9,807)**	**(29,152)**	**(11,072)**	**(57,893)**
Net carrying amount at 31 March 2019	**9,633**	**8,590**	**2,813**	**2,021**	**259,702**	**147**	**12,923**	**6,064**	**14,287**	**3,441**	**319,621**

The carrying value that would have been recognised had the following revalued assets been carried under the cost model would be as follows:

Consolidated	2020			
	Freehold Land	Freehold Buildings	Building Infrastructure	Distribution System
	$000s	$000s	$000s	$000s
Cost	6,223	10,410	3,685	343,806
Accumulated depreciation & impairment	-	(3,068)	(985)	(92,037)
Net carrying amount	6,223	7,342	2,700	251,769

Consolidated	2019			
	Freehold Land	Freehold Buildings	Building Infrastructure	Distribution System
	$000s	$000s	$000s	$000s
Cost	6,223	10,410	3,484	325,337
Accumulated depreciation & impairment	-	(2,788)	(852)	(84,453)
Net carrying amount	6,223	7,622	2,632	240,884

Property, plant and equipment (PPE), except revalued assets are stated at cost less any subsequent accumulated depreciation and subsequent accumulated impairment loss. The cost of purchased PPE may include the initial purchase price plus directly attributable material, labour, finance costs, and other overheads incurred for bringing the assets to the location and condition necessary for their intended use. Finance costs incurred during the course of construction that are attributable to a project are capitalised, using the finance rate applicable to the funding. Costs cease to be capitalised as soon as an asset is ready for productive use.

Revalued assets

Distribution system and land, buildings and building infrastructure assets are revalued after initial recognition and are stated in the balance sheet at their revalued amounts, being the fair value at the date of valuation, less any subsequent accumulated depreciation and subsequent accumulated impairment loss. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at balance sheet date. Additions between revaluations are recorded at cost. Depreciation on revalued assets is charged to profit or loss. Land is not depreciated.

Asset revaluation reserve

Any revaluation increment is recognised in other comprehensive income and credited to the asset revaluation reserve in equity, except to the extent that it reverses a revaluation decrement for the same asset previously recognised in the profit or loss, in which case the increment is recognised in the profit or loss.

Any revaluation decrement is recognised in profit or loss, except to the extent that it offsets a previous revaluation increment for the same asset, in which case the decrement is debited directly to the asset revaluation reserve to the extent of the credit balance existing in the revaluation reserve for that asset.

Any accumulated depreciation at the date of the revaluation is transferred to the gross carrying amount of the asset and the asset cost is restated to the revalued amount. When revalued assets are disposed of, the amounts included in other reserves are transferred to retained earnings.

Revaluation

The fair value of the Group's land and buildings is based on market values, being the price that would be received to sell land and buildings in an orderly transaction between market participants at the measurement date. Changes to market conditions or assumptions made in the estimation of fair value will result in changes to the fair value of the revalued assets.

The most recent valuation for land and buildings was completed at 31 March 2019 by AON Risk Solutions, a registered independent valuer. Fair value was determined by direct reference to recent market transactions on arm's length terms. To establish the valuation of properties, the valuers used a combination of income capitalisation, market comparison and depreciated replacement cost approaches. For the current year, the movement in the fair value of land and buildings since 31 March 2019 was assessed at balance date. Accordingly, the land and buildings assets were not revalued during the year as the carrying value of land and buildings did not differ materially from its fair value.

Distribution system assets are valued by an independent valuer. The revaluation exercise is performed every three years. The most recent valuation for distribution assets to determine the fair value was completed at 31 March 2019 by PriceWaterhouseCoopers, an independent registered valuer. 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. A post tax nominal WACC of 6% was used. The distribution revenue forecast was based on 10 year projections in which the fixed and variable revenues are forecast separately for four customer groups (mass market residential, mass market general, commercial and industrial). The quantities are assumed to remain constant for all categories except mass market residential which grow at 1.2% per annum. The fixed prices are assumed to remain constant except for the mass market general category which increase annually by 2.0% and the variable prices are assumed to increase by 2.0% per annum. The FY20 posted discount was also included in the valuation cash flows as it formed part of the contract price.

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 key inputs used in the valuation included the forecast of future line charges, volumes, projected operational and capital expenditures growth rates and discount rate. The valuation was most sensitive to movements in discount rate and distribution revenue. A 5% increase/(decrease) in the discount rate i.e. 5.7% or 6.3% would (decrease)/increase the valuation by $7 million. A 5% increase/(decrease) in the distribution revenue indicated the valuation would increase/(decrease) by $7 million.

For the current year a fair value assessment of the distribution assets value was performed which indicated no material movement between the carrying value at balance date and the fair value. A post tax nominal WACC of 4.85% was used for the DCF assessment. Further, a sensitivity analysis to include any potential impact of Covid-19 indicated that a 5% increase/ (decrease) in network EBITDA would increase/(decrease) the valuation by $5 million and a 5% decrease/increase in the discount rate i.e. 4.6% or 5.1% would increase/(decrease) the fair value by $7 million. The distribution revenue forecast was based on updated 10 year projections for quantity and price for the four customer groups. The posted discount was not included in the valuation cash flows for FY22 – FY30 as it only forms part of the contract price once declared. Accordingly, no revaluation adjustments were recognised as the carrying value of the distribution system did not differ materially from its fair value.

Depreciation

Depreciation is charged on a straight line basis so as to write off the cost or valuation of the fixed assets to their estimated residual value over their expected economic lives. The estimated economic lives are as follows:

Buildings - free hold	10 - 50 years
Buildings - infrastructure	10 - 20 years
Leasehold improvements	2 - 20 years
Distribution system	5 - 70 years
Meters	2 - 4 years
Fibre Assets	10 - 50 years
Generation	5 - 50 years
Plant & equipment	3 - 20 years
Motor vehicles	5 - 15 years

The estimation of useful lives of assets has been based on historical experience as well as manufacturers' warranties for plant and equipment (for plant and equipment), lease terms (for leased assets) and turnover policies (for motor vehicles). In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful life are made when considered necessary.

Gain on disposal of PPE

During the year a gain on disposal of PPE of $0.1 million (2019: $0.3 million) was recognised in the profit or loss within other income.

14. Leases

NZ IFRS 16 *Leases* establishes one sole accounting model for lessees, where the amounts in the balance sheet are increased by the recognition of right of use assets and the financial liabilities for the future payment obligations relating to leases classified previously as operating leases. The right of use of the asset is initially measured at cost and subsequently at cost less cumulative depreciation and impairment losses; adjustments are made for any new measurement of the lease liability due to the amendment or reassessment of the lease.

The lease liability is measured using the present values of future lease payments. When calculating lease liabilities, the Group applied discount rates (incremental rate), depending on the lease terms.

The Group considers a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. In determining the lease term, the non-cancellable period of the lease agreement and the periods covered by the option to extend the lease are taken into account, if the lessee is reasonably certain that they will exercise this option. Leases entered into and identified by the Group include property leases and vehicle leases.

The Group has also applied the practical expedient available from NZ IFRS 16 and excluded short-term leases and low value assets. The Group considers leases which has a duration of less than 12 months (unless there is reasonable certainty that they can be extended) as short term leases.

Impact on adoption of NZ IFRS 16 *Leases*

The Group applied NZ IFRS 16 using the modified retrospective transition approach. Comparative information and opening equity are therefore not restated and continue to be reported under NZ IAS 17 *Leases* and IFRIC 4 *Determining whether an arrangement contains a lease*

As at transition date, the Group recognised right of use assets of $56.2 million and a corresponding lease liability of $56.2 million on balance sheet. There was no impact to opening retained earnings.

	$'000
Operating lease commitment as at 31 March 2019	**55,263**
Adjustments on transition:	
Low value leases	(304)
Short term leases	(321)
Lease management cost	(296)
Leases terminated on the date of transition	(116)
Leases commenced on the date of transition	504
Extension options reasonably certain to be exercised	8,381
Adjusted undiscounted operating lease commitment as at	**63,111**
Discounted using incremental borrowing rate as at 1 April 2019	**56,215**

BDO Northland ASSURANCE BDO

Right of use assets

Right-of-use-assets	Consolidated		
$'000	Buildings	Vehicles	Closing balance
Cost			
At 1 April 2019	13,594	42,621	56,215
Additions	10,084	13,238	23,322
Disposals	-	(269)	(269)
Remeasurement	327	(229)	98
As at 31 March 2020	**24,005**	**55,361**	**79,366**
Accumulated depreciation			
At 1 April 2019			
Additions	(2,913)	(9,077)	(11,990)
Disposals	-	245	245
Other adjustments	(29)	(10)	(39)
As at 31 March 2020	**(2,942)**	**(8,842)**	**(11,784)**
At 31 March 2020			
Cost	**24,005**	**55,361**	**79,366**
Accumulated depreciation	**(2,942)**	**(8,842)**	**(11,784)**
Net book value	**21,063**	**46,519**	**67,582**

As lessor in operating leases, the aggregate minimum lease payments to be collected under non-cancellable operating leases are as follows:

	Consolidated	
	2020	2019
	$000s	$000s
Within one year	**49**	50
After one year but not more than five years	**73**	115
More than five years	**85**	93
Total non-cancellable operating leases	**207**	258

BDO Northland ASSURANCE BDO

15. Cash flow statement reconciliation

	Consolidated 2020 $000s	Consolidated 2019 $000s	Trust 2020 $000s	Trust 2019 $000s
Reconciliation of net profit/(loss) after tax to net cash flows from operations				
Net profit/(loss) after income tax	**16,137**	24,409	**(412)**	1,252
Adjustments for:				
- Depreciation & amortisation	**28,592**	15,125	**-**	-
- Gain on sale of property, plant & equipment	**(106)**	(311)	**-**	-
- Deferred income release	**(248)**	(126)	**-**	-
- Non cash capital contribution revenue	**(3,963)**	(4,407)	**-**	-
- Fair valuation loss on derivative financial instruments	**1,368**	1,676	**-**	-
- Capitalised interest	**(241)**	(388)	**-**	-
- Non cash interest	**258**	87	**-**	-
- Equity accounted earnings of joint venture net of dividends received	**(493)**	2227	**-**	-
Changes in assets & liabilities				
-Increase/(decrease) in trade & other payables	**9,691**	(6,676)	**(7)**	5
- Less related to property, plant and equipment	**919**	(1,558)	**-**	-
-(Decrease)/increase in contract liabilities	**(2,412)**	14,938	**-**	-
- Increase in contract assets	**(1,587)**	(5,306)	**-**	-
- (Increase)/decrease in income tax	**(9,570)**	(1,180)	**12**	-
- (Increase)/decrease in trade & other receivables	**(9,763)**	(6,227)	**1,416**	6,605
- (Increase)/decrease in inventory	**(323)**	198	**-**	-
- Increase/(decrease) in deferred tax liabilities	**154**	(5,007)	**(97)**	(458)
- Less movement relating to asset revaluation reserve	**-**	7,685	**-**	-
- Decrease in employee entitlements	**(785)**	(349)	**-**	-
Net cash from operating activities	**27,628**	**34,810**	**912**	7,404

The table below sets out an analysis of the Group's liabilities for which cash flows have been, or will be, classified as financing activities in the statement of cash flows.

	Consolidated 2020				Trust 2020
	Cash	**Lease liabilities**	**Borrowings**	**Total**	**Cash**
	$000	$000	$000	$000	$000
Net debt 1 April 2019	(3,253)	-	66,224	62,971	(112)
Cash flows	1,255	(11,091)	25,905	16,069	39
Non cash movements	(88)	79,572	10	79,494	-
Net debt 31 March 2020	(2,086)	68,481	92,139	158,534	(73)

	Consolidated 2019				Trust 2019
	Cash	**Lease liabilities**	**Borrowings**	**Total**	**Cash**
	$000	$000	$000	$000	$000
Net debt 1 April 2018	(4,121)	-	63,438	59,317	(382)
Cash flows	868	-	2,825	3,693	270
Non cash movements	-	-	(39)	(39)	-
Net debt 31 March 2019	(3,253)	-	66,224	62,971	(112)

BDO Northland ASSURANCE BDO

16. Equity

Trust capital

The total number of shares authorised and issued is 35,981,848 (2019: 35,981,848). Trust capital consists of ordinary shares which are classified as equity. All ordinary shares are issued, fully paid, have no par value and are ranked equally. Fully paid shares carry one vote per share and the right to dividends. The Trust capital was paid by Northpower Limited contemporaneously upon execution of the Trust Deed executed 29th of March 1993.

Asset revaluation reserve

The asset 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 net of tax of $nil was recognised during the year (2019: $18.2 million).

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries. The Australian subsidiaries' functional currency is Australian dollars which is translated to the presentation currency. Assets and liabilities are translated at exchange rates prevailing at reporting date. Exchange variations resulting from the translation are recognised in the other comprehensive income and accumulated in the foreign currency translation reserve in equity.

Other reserves

The other reserve is used to record movements in the fair value of derivatives that is attributable to changes in the credit risk, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of the liability is recognised in profit or loss. The changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon de-recognition of the financial liability.

Capital management

The Company considers shares, reserves and retained earnings as part of its capital. When managing capital, the Board's objective is to ensure the entity continues as a going concern maintaining adequate working capital, ensuring obligations can be met on time, as well as maintaining returns to shareholders as set out in the statement of corporate intent.

The Group's policy, outlined in the statement of corporate intent, is to distribute to its shareholder all funds surplus to the investment and operating requirements of the Group. During the year fully imputed dividend of $1.4 million (accrued in 2019) was paid (2019: $8.1 million).

No dividend was declared or paid in relation to the 2020 financial year due to change to a posted discount model. During the year a posted discount of $10.1 million was paid to the consumers.

The Group's statement of corporate intent prescribes that the ratio of total shareholders' funds to total assets will be maintained at not less than 55%.

17. Borrowings

		Consolidated	
		2020	2019
	Maturity	$000s	$000s
Current	Less than 12 months	**45,000**	40,000
Non Current			
Unsecured loans	Within 2 yrs	**-**	17,700
Unsecured loans	Within 2 & 3 yrs	**34,000**	-
Interest free Crown loan	Beyond 5 years	**7,115**	4,182
Total non current		**41,115**	21,882
Total borrowings		**86,115**	61,882

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. The carrying amount of borrowings repayable within one year approximates their fair value.

After initial recognition, borrowings are measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings.

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.

At balance date the Group had $45 million of current and $55 million of non-current lending facilities with an average rate of interest during the year of 2.2% (2019:2.6%). During April 2020, the Group secured an additional lending facility for $25 million with a maturity date in April 2023 and renegotiated a $45 million facility that was due to expire in August 2020, with a new maturity date in April 2025. Security held by the bank is in the form of a negative pledge deed, where an undertaking has been given that certain actions will not be undertaken and key financial ratios will be maintained. The bank covenants have all been met for the years ended 31 March 2020 and 2019.

18. Derivatives

	Consolidated	
	2020	2019
	$000s	$000s
Current		
Forward foreign exchange contracts	**(33)**	-
Interest rate swaps	**280**	88
Non-current		
Interest rate swaps	**5,613**	4,384

Derivatives are used by the Group in the normal course of business in order to hedge exposure to fluctuations in interest rates and foreign exchange on purchases of property, plant and equipment.

In accordance with the Group's treasury policy, derivatives are only used for economic hedging purposes and not as speculative investments. The Group has elected not to apply hedge accounting. Derivatives are classified as held for trading for accounting purposes and are accounted for at fair value through profit or loss. They are presented as current assets or liabilities to the extent they are expected to be settled within 12 months after the end of the reporting period. The carrying values of the derivatives are the fair values excluding any interest receivable or payable, which is separately presented in the balance sheet in other receivables or other payables.

19. Financial risk management objectives and policies

The Group risk management policy approved by the Board provides the basis for overall financial risk management. The Group's treasury Policy covers specific risk management and mitigation principles for liquidity risk, credit risk, foreign exchange risk, hedging and interest rate risk. The group treasury identifies and evaluates financial risks in accordance with the policies approved by the Board. To monitor the existing financial assets and liabilities as well as to enable an effective controlling of future risks, the Group has established comprehensive risk reporting covering its business units.

Risk	Exposure arising from	Measurement	Management
Credit risk	Cash and cash equivalents, trade receivables, derivatives and contract assets	Aging analysis Credit ratings	Diversification of counter parties, credit limits, performance bonds, prudential arrangements, Treasury Policy limits and Board oversight
Liquidity risk	Borrowings, contract liabilities and other liabilities	Rolling cash flow forecasts	Availability of committed credit lines and borrowing facilities, Board oversight and Treasury Policy limits
Market risk – interest rate	Floating rate borrowings	Sensitivity analysis	Interest rate swaps
Market risk – foreign exchange	Future commercial transactions Recognised financial assets and liabilities denominated in foreign currency	Cash flow forecasting Sensitivity analysis	Forward foreign currency contracts

Foreign currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group has transactional and translational currency exposures. At 31 March 2020 forward foreign exchange contracts outstanding was $0.5 million (2019: Nil).

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Group constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing, hedging positions and the mix of fixed and variable interest rates.

The Group manages its cost of borrowing by limiting the ratio of fixed to floating rate cover held. The Group uses interest rate swaps to manage this. Based on the Group's interest rate risk exposure at balance date, an increase (or decrease) of 1% in the interest rates will likely cause a $1.3 million

(2019: $1.6 million) increase (or decrease) in the post-tax profit. There would be no effect on other components of equity.

The notional value of the outstanding interest rate swap contracts amounted to $72 million (2019: $84 million). The fixed interest rates of interest rate swaps vary from 3.22% to 4.65% (2019: 2.67% to 4.65%).

Credit risk

Credit risk is the risk that a third party will default on its contractual obligation resulting in financial loss to the Group. The maximum exposure to credit risk is the fair value of receivables. The Group does not generally require collateral from customers. The Group places its cash and short term deposits with high credit quality financial institutions (A1 or better), and limits the proportion of credit exposure to any one institution in accordance with Company policy. There is no significant concentration of credit risk. As at 31 March 2020 the ageing analysis of trade receivables is as follows:

Consolidated	**2020**			**2019**		
	Gross	Impairment	Net	Gross	Impairment	Net
Trade and other receivables	$000s	$000s	$000s	$000s	$000s	$000s
Not past due 1-30 days	**49,261**	**-**	**49,261**	41,143	-	41,143
Past due 31 - 60 days	**2,603**	**-**	**2,603**	896	-	896
Past due 61 - 90 days	**316**	**-**	**316**	172	-	172
Past due 91 days plus	**1,225**	**(489)**	**736**	872	(169)	703
Total	**53,405**	**(489)**	**52,916**	43,083	(169)	42,914

Trust	**2020**			**2019**		
	Gross	Impairment	Net	Gross	Impairment	Net
Trade and other receivables	$000s	$000s	$000s	$000s	$000s	$000s
Not past due 1-30 days	**3**	**-**	**3**	1,483	-	1,483
Past due 31 - 60 days	**-**	**-**	**-**	-	-	-
Past due 61 - 90 days	**-**	**-**	**-**	-	-	-
Past due 91 days plus	**161**	**-**	**161**	90	-	90
Total	**164**	**-**	**164**	1,573	-	1,573

	Consolidated 2020		
	Gross	Impairment	Net
Contract assets	$000s	$000s	$000s
Not past due 1-30 days	**13,257**	**-**	**13,257**
Past due 31 - 60 days	**4,974**	**-**	**4,974**
Past due 61 - 90 days	**1,682**	**-**	**1,682**
Past due 91 days plus	**5,345**	**-**	**5,345**
Total	**25,258**	**-**	**25,258**

BDO Northland ASSURANCE BDO

The Group maintains a provision for estimated losses expected to arise from customers being unable to make required payments. This provision takes into account known commercial factors impacting specific customer accounts, as well as the overall profile of the debtors' portfolio. Movements in the allowance for expected credit losses of trade receivables and contract assets are as follows:

	Consolidated	
	2020	2019
	$000s	$000s
Balance at 1 April	**169**	138
Additions	**482**	105
Bad debts written off	**(162)**	-
Reversal	**-**	(74)
Balance at 31 March	**489**	169

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank funding facilities. The Group has a maximum amount that can be drawn against its lending facilities of $100 million (2019: $120 million). There are no restrictions on the use of the facilities. The Group also has in place a credit card facility with a combined credit limit over all cards issued of $1 million (2019: $1 million).

Future interest payments on floating rate debt are based on the floating rate on the instrument at the balance date. The risk implied from the values shown in the following tables, reflects management's expectation of cash outflows. The amounts disclosed are the contractual undiscounted cash flows.

Contractual cash flow maturity profile

	Consolidated									
	2020					2019				
$000s	**Within 1 year**	**1-2 Yrs**	**2-5 Yrs**	**Beyond 5 Yrs**	**Total**	Within 1 year	1-2 Yrs	2-5 Yrs	Beyond 5 Yrs	Total
Non-derivative financial liabilities										
Trade payables	**36,471**	**-**	**-**	**-**	**36,471**	26,556	-	-	-	26,556
Lease liabilities	**14,308**	**12,376**	**20,472**	**30,410**	**77,566**	-	-	-	-	-
Interest bearing loans	**45,260**	**-**	**34,976**	**-**	**80,236**	40,526	13,357	665		54,548
Interest free Crown loan	**-**	**-**	**-**	**13,071**	**13,071**	-	-	-	8,467	8,467
Derivative financial (assets)/liabilities										-
Forward exchange contracts inflow	**(561)**	**-**	**-**	**-**	**(561)**	-	-	-	-	-
Forward exchange contracts outflow	**528**	**-**	**-**	**-**	**528**	-	-	-	-	-
Net settled derivatives										
Interest rate swaps	**280**	**599**	**2,657**	**2,357**	**5,893**	88	477	1,830	2,077	4,472
Total Contractual cash flows	**96,286**	**12,975**	**58,105**	**45,838**	**213,204**	67,170	13,834	2,495	10,544	94,043

	Trust									
	2020					2019				
$000s	**Within 1 year**	**1-2 Yrs**	**2-5 Yrs**	**Beyond 5 Yrs**	**Total**	Within 1 year	1-2 Yrs	2-5 Yrs	Beyond 5 Yrs	Total
Trade payables	**20**	**-**	**-**	**-**	**20**	27	-	-	-	27

BDO Northland ASSURANCE BDO

Future interest payments on floating rate debt are based on the floating rate on the instrument at the balance date. The risk implied from the values shown in the table above, reflects management's expectation of cash outflows. The amounts disclosed are the contractual undiscounted cash flows.

20. Recognised fair value measurements

Financial assets and financial liabilities

The Group classifies its financial assets and financial liabilities into the following categories depending on the purpose for which the asset or liability was acquired.

	Consolidated		Trust	
	2020	2019	**2020**	2019
	$000s	$000s	$000s	$000s
Financial assets at fair value through profit and loss				
Forward foreign exchange contracts	**33**	-	**-**	-
Financial assets at amortised cost				
Cash & cash equivalents	**2,086**	3,253	**73**	112
Trade & other receivables	**52,916**	42,914	**164**	1,573
Short term investments	**1,575**	624	**1,575**	624
Total financial assets at amortised cost	**56,577**	46,791	**1,812**	**2,309**
Financial liabilities at fair value through profit and loss				
Interest rate swaps	**5,893**	4,472	**-**	-
Financial liabilities measured at amortised cost				
Borrowings	**86,115**	61,882	**-**	-
Lease liabilities	**68,481**	-	**-**	-
Trade & other payables	**36,471**	26,556	**20**	27
Total financial liabilities measured at amortised cost	**191,067**	88,438	**20**	**27**

Financial assets at amortised cost

Financial assets at amortised cost consist of cash and cash equivalents and trade & other receivables. These are initially measured at fair value and subsequently at amortised cost. Due to the short term nature of these receivables the carrying value of receivables approximates their fair value. Trade and other receivables and contract assets are subsequently measured at amortised cost using the effective interest rate method, less an allowance for impairment. Appropriate allowances for estimated irrecoverable amounts are recognised in the profit or loss when there is objective evidence that the asset is impaired.

Financial assets and liabilities at fair value through profit or loss

Financial assets and liabilities at fair value through profit or loss consist of derivatives. Derivatives are used to manage exposure to foreign exchange and interest rate risks arising from financing activities.

Derivatives are initially recognised at fair value as the date of the contract and subsequently measured at fair value at each balance date with the resulting gain or loss recognised in the profit or loss except the portion attributable to credit risk that is recognised in other comprehensive income. Fair value is calculated as the present value of the estimated future cash flows based on observable interest yield curves. Foreign currency transactions (including those for which forward foreign exchange contracts are held) are translated into NZ$ (the functional currency) using the exchange rates prevailing at the dates of the transactions.

Financial liabilities at amortised cost

Financial liabilities at amortised cost consist of trade and other payables, lease liabilities and borrowings. These are measured initially at fair value and subsequently at amortised cost using the effective interest rate (EIR) method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

The fair value is materially similar to amortised cost. Due to the short-term nature of the payables, no discounting is applied.

Impairment of financial assets

The Group recognises a lifetime loss allowance for expected credit losses (ECL) on trade receivables and contract assets. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade 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 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 the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Fair value hierarchy

A number of assets and liabilities included in the Group's financial statements require measurement at fair value and/or disclosure of fair value. The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

Level 1: Quoted prices in active markets for identical items (unadjusted)

Level 2: Observable direct or indirect inputs other than Level 1 inputs

Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. The Group's financial assets and liabilities measured at fair value are classified as Level 2 on the fair value hierarchy unless specified otherwise. The fair values of interest rate swaps have been determined by calculating the expected cash flows under the terms of the swaps and discounting these values to present value. The inputs into the valuation model are independently sourced market parameters such as interest rate yield curves. Most market parameters are implied from instrument prices.

There have been no transfers between Level 1 and Level 2 during the year.

Fair value hierarchy of non-financial assets

The Group obtains independent valuations for its system distribution assets and land and buildings at least every three years. Valuation techniques are based on the following hierarchy:

BDO Northland ASSURANCE BDO

The following table summarises the fair value measurement hierarchy of the non-financial assets that are recognised and measured at fair value in the financial statements.

	Consolidated		
	Level 2	**Level 3**	**Total**
	$000s	$000s	$000s
Property, Plant & Equipment			
Distribution systems	**-**	**270,540**	**270,540**
Freehold land	**4,104**	**5,529**	**9,633**
Freehold buildings	**3,760**	**4,550**	**8,310**
Building infrastructure	**2,176**	**694**	**2,870**
	10,040	**281,313**	**291,353**

21. Related parties

Subsidiaries

Subsidiaries are entities controlled directly or indirectly by the Trust. All subsidiaries have a 31 March balance date and are wholly owned. The Trust holds 100% of the voting rights in all entities reported as subsidiaries. The Trust's investment in subsidiary relates to shares held in Northpower Limited.

Northpower LFC2 Limited and Northpower Solutions Limited are incorporated in New Zealand. During the year Northpower Solutions Limited was fully amalgamated with Northpower.

Northpower Western Australia Pty Limited and its non-trading wholly owned subsidiary West Coast Energy Pty Limited are incorporated in Western Australia.

The financial statements of subsidiaries are reported in the financial statements using the acquisition method of consolidation. Intra-group balances and transactions between group companies are eliminated on consolidation.

All transactions with the related parties are made at arm's length both at normal market prices and on normal commercial terms. Outstanding balances at year end are unsecured, interest free and settlement occurs in cash.

Joint venture – investment in associate

Joint ventures are arrangements where parties to the arrangement have rights to the net assets of the arrangement and decisions about the relevant activities require the unanimous consent of the parties sharing control. The Group's investment in its joint venture Northpower Fibre Limited (NFL) is accounted for using the equity method. NFL has a 30 June balance date. NFL's accounting policies align the Group's accounting policies.

At 31 March 2020, the Group held 69.5% (2019:64%) of the shareholding in NFL with the remaining held by the other shareholder Crown Infrastructure Partnership Limited (CIPL). The investment has been classified as a joint venture because:

– each party shares in the risks and returns of the arrangement and neither party has the power to affect those benefits or returns.

– during the concession period neither party has the unilateral right to make decisions regarding NFL activities.

– both parties have the right to appoint two of the five directors on the NFL Board and neither is able to control the majority of votes of the Board.

	Consolidated	
	2020	2019
	$000s	$000s
Transactions during the year		
Sales to joint venture	**9,493**	3,953
Purchases from joint venture	**577**	383
Dividend received from joint venture	**1,322**	2,911
Purchase of shares in joint venture	**5,054**	1,149
Outstanding balances as at 31 March		
Payable to joint venture	**175**	-
Receivable from joint venture	**656**	538

	Trust	
	2020	2019
	$000s	$000s
Transactions during the year		
Dividends income from Northpower Limited	-	1,513
Outstanding balances as at 31 March		
Receivable from Northpower Limited	**161**	1,571

Movements in the carrying amount of the Group's investment in associate

	Consolidated	
	2020	2019
	$000s	$000s
Beginning balance	**25,456**	26,534
Additional investment made	**6,512**	1,149
Share of profit after income tax	**1,709**	930
Unrealised profit adjustment	**167**	(193)
Realised profit adjustment	**(61)**	(53)
Dividend received	**(1,322)**	(2,911)
Balance at 31 March	**32,461**	25,456

At balance date, the Group's equity accounted investment in NFL was assessed for impairment using a value-in-use discounted cash flow methodology. A key assumption in the valuation is the forecast rate of uptake of customers connecting to the fibre broadband network. The assessment indicated there was no impairment required.

BDO Northland ASSURANCE BDO

Summarised financial information

Extracts from the joint venture statement of financial position:

	2020 $000s	2019 $000s
Cash and cash equivalents	**4,401**	1,573
Other current assets	**1,614**	2,242
Non-current assets	**45,933**	41,969
Current liabilities	**1,853**	1,789
Non-current liabilities	**1,584**	1,584
Net assets	**48,511**	42,411
Share of joint venture net assets	**33,715**	27,143
Extract from the joint venture statement of comprehensive income:		
Revenue	**10,373**	8,785
Depreciation	**(2,535)**	(2,527)
Interest income	**28**	31
Tax	**(922)**	(583)
Net profit after tax	**2,369**	1,457

Transactions between the company and key management personnel

Certain Directors and key management of Northpower are also directors of the subsidiaries. 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. A summary of trading activities with related parties is as below:

Key management personnel	Related party	Position	Purchases from related parties ($'000)		Amounts owing to related parties ($'000)	
			2020	2019	**2020**	2019
Nikki Davies-Colley Chair of the Northpower Board	Farmlands Trading Society Limited	Director	**8**	19	**-**	-
Paul Yovich Trustee of Northpower Electric Power Trust	Busck Prestressed Concrete Limited	Trustee of a shareholder	**2,415**	2,592	**27**	201
Ercoli Angelo Trustee of Northpower Electric Power Trust	Strada Eleven Limited	Director/ shareholder	**4**	4	**-**	-
	Ngatiwai Trust Board and DOC	Partnership	**1**	-	**-**	-
Josie Boyd General Manager Network	Electricity Engineers Association	Board member	**75**	39	**-**	-

BDO Northland ASSURANCE BDO

22. Guarantees and contingencies

	Consolidated	
	2020	2019
	$000s	$000s
Performance bonds in relation to contract work	**31,554**	30,999

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

A dispute has progressed post balance date towards a likely favourable settlement and is expected to result in an economic inflow to the Group. Due to the uncertainties involved, a provision of $0.9 million for potential counter claims was made at balance date towards this dispute.

Northpower is a participant in the DBP Contributors' Scheme (the scheme) which is a multiemployer 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.

23. Commitments

The future aggregate minimum lease payments payable for non-cancellable low value operating leases which are exempted under NZ IFRS 16 *Leases* are as follows:

	Consolidated	
	2020	2019
	$000s	$000s
Within one year	**127**	126
After one year but not more than five years	**49**	178
Total non-cancellable operating leases	**176**	304

Capital commitments contracted at balance date was $5.7m (2019: $2.6m)

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 Partnership 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.

24. Events after balance date

There were no significant events after reporting date.

25. Covid-19 impact disclosures

The Trustees are fully aware of the possible impact on the Trust as owners of Northpower Ltd.

The Directors have considered the current and future potential effects on the business caused either directly or indirectly by Covid-19. The effect on the overall results in FY20 was not material because of the very short period of the lockdown within this financial year.

Level 4 restrictions over April 2020 materially affected Group revenues over that month. Various mitigations were put in place over the first quarter of FY21 to offset reductions in revenue due to Covid-19. Electricity and Fibre divisions were not materially affected and the current forecasts indicate revenue will be on par with the target.

Level 4 lockdown had a material effect on the contracting division with only essential works being able to be completed. However, activity levels have rebounded strongly since restrictions were lifted.
Future potential effects are speculative and unknown. Directors believe that any potential negative effects would likely be limited unless there is a sustained economic downturn, which has been predicted by some economic commentators. In that event, Directors believe the effect on the key elements in the financial statements would be:

- Network revenue. Northpower has a mix of residential, commercial, and very large industrial consumers. The portion of the revenue stream dependent on consumption and capacity usage has less risk from a temporary reduction in variable consumption by these consumers. Directors see the key risk to revenues from Covid-19 to be the risk of large-scale businesses closures because of the economic downturn. Even in this case, the impact on Network revenue is unlikely to be greater than 5%.

- Contracting revenue: In the medium-long term, contracting revenue from existing Electricity Network customers is not expected to be materially affected. Any negative effect on future income is possible but unlikely.

- Capital contributions revenue: The capital contributions revenue is likely to decrease in the event of a sustained economic downturn due to a potential decrease in subdivisions and developments. The impact could be up to a 50% reduction over FY21.

- Operating expenses are unlikely to change significantly. Potential effects could be higher bad debt costs however a majority of the income is received from large businesses, who themselves have protections. Bad debts can also arise from non-recovery of damage caused to the network by third parties and any sustained economic downturn would likely increase these non-recoveries. Other significant costs relate to subcontractor costs and employee benefits both of which are unlikely to be materially affected.

- Trade receivables are accounted at net realisable value and Directors believe that they will be fully recovered.

Tel: +64 9 430 0471
Fax: +64 9 430 0671
northland@bdo.co.nz
www.bdo.co.nz

BDO NORTHLAND
49 John Street
P O Box 448
Whangarei 0140
NEW ZEALAND

INDEPENDENT AUDITOR'S REPORT
TO THE BENEFICIARIES OF NORTHPOWER ELECTRIC POWER TRUST

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Northpower Electric Power Trust ("the Trust") and its subsidiary (together, "the Group"), which comprise the consolidated balance sheet as at 31 March 2020, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 March 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ("ISAs (NZ)"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In addition to audit services, partners and employees of our firm may deal with the group on normal terms within the ordinary course of trading activities of the business of the group. We have no other relationship with, or interests in, the Trust or its subsidiary.

Emphasis of Matter – Covid -19

Without modifying our opinion, we draw attention to Note 25 to the financial statements, which explains the impact of the Covid-19 pandemic on the group.

Other Information

The Trustees are responsible for the other information. The other information comprises the key performance metrics but does not include the consolidated financial statements and our auditor's report thereon.

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

If, based on the work we have performed, 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.

Trustees' Responsibilities for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, the Trustees are responsible on behalf of the Group for assessing the Group'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 Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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) 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 decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs (NZ), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the use of the going concern basis of accounting by the Trustees and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Trustees regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Who we Report to

This report is made solely to the Trust's Beneficiaries, 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 Trust's Beneficiaries, 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 Adelle Allbon.

BDO Northland

BDO Northland
18 July 2020
Whangarei
New Zealand