WAITAKI POWER TRUST

For the year ended 31 March 2023

2023 ANNUAL REPORT

CONTENTS

DIRECTORY

TRUSTEES:
Doreen Cleave (Chairperson)
John Clements
Lichelle Guyan
Herbert Tonkin
John Webster

BANKERS:
ANZ
The Octagon
Dunedin 9054

SECRETARY:
Sandra Tonkin

AUDITORS:
Maxwell (John) Dixon
PricewaterhouseCoopers
Christchurch

SOLICITORS:
Berry & Co
Eden Street
Oamaru

WEBSITE:
www.waitakipowertrust.co.nz

2023 REVIEW

TRUST ELECTIONS

In March 2022, Independent Election Services were appointed to coordinate the election process later in the year on behalf of the Waitaki Power Trust with Ms Cornel van Basten from Network Waitaki Ltd appointed as Returning Officer.

Following the distribution of voting papers to consumers it was clear that a mistake had been made in distribution of these papers by Election Services and a new set had to be forwarded to those consumers who were eligible to vote. This did create some confusion and the Trust will need to review the election process and how to ensure it runs smoothy for the next election in 2025.

Four people had put their names forward for election as Trustees. Following the election process John Clements, Lichelle Guyan and Herb Tonkin were all re-appointed as Trustees in August.

23.5% of voters voted compared with 30% in the previous two elections. 10.5% of the voters used on-line facilities to vote.

TRUST ACTIVITIES

Trustees had twelve general meetings per year. In addition, in May, some trustees attended the Energy Trusts of New Zealand (ETNZ) AGM and Conference in Wellington while other trustees attended the ETNZ Conference held in Cambridge in November. This allows Trustees to remain abreast of the issues that will affect the electricity network and speakers included Megan Woods, Minister of Energy and Resources. In December, Trustees spent a day travelling around the network gaining an understanding of the work Network Waitaki have been undertaking including the preparations for new grid exit point that will be built over the next 5 years.

The Trust once again had a stand at the North Otago A & P Show, they attended the Network Waitaki Sports Awards, and the Network Waitaki Sponsorship Awards.

BENEFITS OF TRUST OWNERSHIP

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

Network Waitaki strives to strengthen a position of connection and engagement with customers and community and one way of achieving this is through the annual community sponsorship. $120,000 was allocated to a range of local groups and the important corporate sponsorship of the Otago Rescue Helicopter of $25,000 continued this year.

Network Waitaki attend career expos and provide gateway programmes, apprenticeships and scholarships to local schools. Gateway provides an opportunity for students to join the Company once a week between February and September and get an introduction to the entire business including working in crews, business support and process. Two scholarships were awarded this year both to electrical engineering studies, with one being a student that completed the Gateway programme. Scholarships are available to support information technology, finance and business studies. Nine apprenticeships were awarded in electrical, trade assistance, traffic management and line mechanics. Most of these appointments being local. It is exciting to see our youth choosing to take opportunities locally.

Network Waitaki, in conjunction with the Waitaki District Libraries launched the Healthy Homes Toolkit last year. This initiative continues to be in high demand with consumers reporting positive feedback on tangible areas of improvement in safety and energy efficiency. Additional toolkits will be made available because of this success. Other power saving initiatives are being pursued in conjunction with North Otago Presbyterian Services.

Discounts on electricity bills continue to be one of the more substantial ways in which we share the benefit of Trust ownership and this year $1.0m of discounts were distributed to our connected customers. As in previous years, eligibility of a discount and the amount paid meet certain criteria which is set out in NWL's Discount Methodology and are available from NWL's website.

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

APPOINTMENT OF DIRECTORS

Michael de Buyzer and Jonathan Kay were the two directors to retire by rotation in 2022 and were both available for re-appointment. Following an interview process which included another strong candidate who had applied for a position on the board of Network Waitaki Ltd the Trustees decided to re-appoint both Michael de Buyzer and Jonathan Kay to the board for a further three-year period.

Annual Review (continued)

NETWORK WAITAKI'S PERFORMANCE

Network Waitaki's Performance against the 2022-2023 Statement of Corporate Intent

The key performance measures for the Company are set out in the Statement of Corporate Intent (SCI), which includes health and safety, financial and network performance targets.

The overall performance of the business, especially health and safety, and financial performance was very pleasing when compared to the Statement of Corporate Intent and the staff of Network Waitaki are to be congratulated. Overall, the Company is in a very sound, and positive passion to move forward in 2023/2024.

The Company continues to grow and build capability across corporate, network and contracting functions with close to 100 staff now, including 13 trainees in the Contracting business.

Network

The dry summer has given the Company higher variable revenue from irrigation customers, noting it remains a summer peaking network and the weather has a large impact on variable revenue and overall Company profits. The Company continued its journey towards more cost reflective pricing to reduce this revenue volatility, with standard tariffs now at 70% fixed charges up from 55% in the previous year, with a corresponding decrease in variable charges to keep standard users at approximately the same price level. Overall, network pricing is still competitive with our peers and the industry as a whole.

Capital contributions revenue reflects the network's growth and continues to be a major factor in the profitability of the Company and are essential to help fund investment in future network capacity.

Network performance was in line with expectations in most measures, overall fault numbers were below target, and planned outages were below target from a SAIDI and SAIFI perspective. Unplanned (fault) outage impacts were higher than target levels due to the significant impact of several subtransmission faults which affected a large number of customers, but only for a short duration.

During the year, there was network capital investment of $9.0 million across customer connections, system growth and asset replacement, along with $3.3 million of maintenance. This investment is to ensure the network remains safe, reliable, and meets the capacity and security needs of current and future customers.

Work is progressing well on getting a new Transpower Grid Exit Point designed and built by 2027 and reconfiguring the existing network into this new site. This is a significant investment into the region, but will future proof the electricity supply for decades to come and ensure the capacity and security of supply into the region.

Contracting

The Contracting business continues to grow and now has over 60 staff who delivered $11.7 million of work during the year, including over $5 million of revenue from external customers. The business had a slow start to the year due to the impact of COVID-19 and winter illness impacting on staff availability but recovered well in the later part of the year due to a strong pipeline of work and some major projects.

The strength of Contracting is in its people and has continued to invest in new and existing staff. There is a national shortage of skilled trades people which has limited growth potential, but the Company has been successful in both recruitment of trained staff, as well as taking on trainees across all trade types which provides career opportunities for local people leaving school or looking to re-train. The Company now has 13 trainees and successfully ran it's first 'boot camp' in early 2023 to accelerate the development of new line mechanics.

Growth initiatives including establishing a base near Cromwell in Central Otago to assist in the delivery of work for Aurora Energy, as well as the establishment of an internal traffic management team with to support the safe working within road corridors.

Annual Review (continued)

FINANCIAL PERFORMANCE

STATEMENT OF COMPREHENSIVE INCOME FOR YEAR ENDED 31 MARCH 2023

	ACTUAL $	SCI $	VARIANCE $
Statement of Comprehensive Income			
Revenue Excluding Capital Contributions	30,823,157	27,943,651	2,879,506
Capital Contributions	2,215,132	1,711,109	504,023
Total Revenue	33,038,289	29,654,760	3,383,529
Less Expenses Excluding Depreciation	(20,530,672)	(20,508,381)	(22,291)
Less Depreciation	(5,411,308)	(5,530,782)	119,474
Net Profit before Discount, Tax and Interest Expense	7,096,309	3,615,597	3,480,712
Less Interest Income / (Expense)	(39,987)	(207,283)	167,296
Less Discount	(999,710)	(1,000,000)	290
Net Profit Before Taxation	6,056,612	2,408,314	3,648,298
Less Taxation	(1,710,376)	(674,328)	(1,036,048)
Net Profit After Discount and Taxation	**4,346,236**	**1,733,986**	**2,612,250**

Comment

Strong revenue was achieved through increased contributions from Network, as a result of increased lines revenue and capital contributions, as well as from Contracting with both increased internal work delivery and an increase in external revenue. Increased profits compared to target occurred through the improved revenue position, increased loss rental rebates from Transpower offsetting some Transmission charges, lower indirect operating costs due to deferral of some business initiatives, and also due the deferred sponsorship payment for the Network Waitaki Event Centre. Improved profits have resulted in a higher tax charge.

FINANCIAL POSITION AS AT 31 MARCH 2023

	ACTUAL $	SCI $	VARIANCE $
Shareholders' Equity	**111,774,124**	**108,347,882**	**3,426,242**
Current Assets	13,396,476	7,299,089	6,097,387
Current Liabilities	(6,173,795)	(6,904,063)	730,268
Working Capital	7,222,681	395,026	6,827,655
Non-Current Assets	123,366,040	132,442,872	(9,076,832)
Non-Current Liabilities	(18,814,597)	(24,490,016)	5,675,419
Total Net Assets	**111,774,124**	**108,347,882**	**3,426,242**

Comment

Working capital is substantially higher than planned with increased cash reserves (up $2.8 million) due to the lower than planned capital investment, and more investment into inventory (up $2.5 million). There was no requirement for any debt funding which resulted in a significant reduction in non-current liabilities compared to SCI levels.

Key Financial Reporting Measures

	ACTUAL	SCI	VARIANCE
NPBT to Shareholder Funds	5.42%	2.22%	3.20%
Net Assets per Share	$7.98	$7.74	$0.24
NPBT Earnings per Share in Cents	43.26	17.20	26.06
Ratio of Shareholders' Funds to Total Assets	81.73%	77.53%	4.20%
Rate of Return After Tax on Shareholder Funds	3.89%	1.60%	2.29%

Comments

Increased profitability compared to SCI targets occurred through revenue growth, lower indirect operating costs compared to budget, and the deferred sponsorship for the Waitaki Events Centre. This has resulted in improvement in all key financial metrics.

All key financial reporting measures are favourable to target and it is encouraging to note that year on year, the Company has been growing its net assets per share for each of the last 5 years.

NON-FINANCIAL PERFORMANCE

Non-Financial Performance Measures

Reliability	ACTUAL	SCI	VARIANCE
SAIDI minutes (unplanned)	59.07	45.00	(14.07)
SAIDI minutes (planned)	58.82	105.00	46.18
SAIDI minutes total	**117.89**	**150.00**	**(32.41)**
SAIFI minutes (unplanned)	1.18	0.80	(0.38)
SAIFI minutes (planned)	0.19	0.40	0.21
SAIFI total	**1.37**	**1.20**	**(0.17)**

Comments

The unplanned reliability statistics (both SAIDI and SAIFI) were unfavourable to target, primarily due to a small number of high impact outages (number of customers affected) rather than any material increase in the number of fault outages (which was favourable to target).

The favourable result for planned reliability reflects both the reduced number of major projects undertaken (which contributed to the lower capital investment level) and the increased focus on planning works to minimise effects on customers through the use of generation and live work methods.

Health and Safety	ACTUAL	SCI	VARIANCE
Lost Time Injury Frequency Rate (LTIFR*)	0	1.20	1.20
Total Recordable Injury Frequency Rate (TRIFR*)	1.20	2.40	1.20
Public Safety Management System Accreditation (NZS7901)	Achieved	Maintain	-
Review of Critical Risks	4	4	-
WorkWell (Health and Wellbeing) Programme Accreditation	Discontinued	Silver	-
SiteSafe Contractor Accreditation	Achieved	Maintain	-

Comments

Waitaki Power Trust appreciates the Health and Safety reporting within the Statements of Service Performance. We are delighted to see there were no lost time injuries during this financial year and hope it continues.

COVID-19 remained an issue with outbreaks in the community, along with consultants' unavailability due to high demand for their services, meant some initiatives were not able to be progressed as expected during the year.

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

ACKNOWLEDGEMENTS

As Chair of the Trust, I would like to thank my fellow Trustees for their input, attention to detail and for always remembering our Consumers.

To the Network Waitaki staff, Directors and Chief Executive a very sincere 'thank you' for the work you do for the Company and our community, and finally Sandra Tonkin, our Waitaki Power Trust Secretary for her assistance throughout the year.

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Chairperson , Doreen Cleave

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Trustee, John Clements

………………………………..
Trustee, John Webster

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

………………………………..
Trustee, Lichelle Guyan

Trustees' Report

GENERAL DISCLOSURES

The Trustees present their Annual Report together with Audited Financial Statements for the year ended 31 March 2023.

PRINCIPAL ACTIVITIES

To hold the shares in Network Waitaki Limited for the benefit of the consumers of Network Waitaki Limited.

REVIEW OF FINANCIAL PERFORMANCE

The Trust had a loss for the year of $49,060 (profit for 2022 was $18,054).

DONATIONS

No donations were made during the 2022 or 2023 years by the Trust; however, donations were made by Network Waitaki Limited amounting to $149,551 (excluding GST) in 2023 and $142,813 in 2022.

REMUNERATION OF TRUSTEES AND DIRECTORS

Remuneration paid to Trustees:

	Trustee Fees
Doreen Cleave	$22,364
John Clements	$22,184
Herbert Tonkin	$19,684
John Webster	$19,684
Lichelle Guyan	$19,684
Total Trustees' fees	**$103,600**

Remuneration paid to Directors:

Shareholders authorised total Directors' remuneration of $278,312 for activities undertaken by Directors on behalf of the Company.

	Total Directors' fees paid
Chris Bailey	$41,150
Michael de Buyzer	$41,150
Chris Dennison	$72,562
Jonathan Kay	$41,150
Mike Underhill	$41,150
Tony Wood	$41,150
Total Directors' fees	**$278,312**

EMPLOYEE REMUNERATION

The Companies Act 1993 requires the number of employees receiving remuneration greater than $100,000 to be disclosed. Details of remuneration ranges for employees of Network Waitaki Limited are:

Remuneration Range	Number of Employees
$100,000 - $109,999	9
$110,000 - $119,999	7
$120,000 - $129,999	6
$130,000 - $139,999	5
$140,000 – $149,999	2
$150,000 - $159,999	2
$160,000 - $169,999	2
$210,000 - $219,999	1
$220,000 - $229,999	1
$360,000 - $369,999	1

EVENTS SUBSEQUENT TO BALANCE DATE

The Directors are not aware of any matter or circumstance since the end of the financial year, not otherwise dealt with in this report that has significantly affected or may significantly affect the operation of Network Waitaki Limited, the results of those operations or the state of affairs of Network Waitaki Limited.

USE OF TRUST INFORMATION

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

TRUSTEES' AND DIRECTORS' BENEFITS

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

TRUSTEES' AND DIRECTORS' INDEMNITY LIABILITY INSURANCE

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

SPONSORSHIPS AND DONATIONS

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

Ardgowan School	2,172.61
Awakino Alpine Charitable Trust	686.94
Awamoa Gardens Croquet Club Inc	922.05
CCSDA Waitaki	650.00
Cognitive Stimulation Therapy Oamaru	1,000.00
Excelsior Rugby & Associated Sports Club	2,334.80
Hampden Community Energy Society Incorporated	2,000.00
Hampden Skate Park Society Incorporated	2,500.00
Kurow Rugby Football Club (Inc)	1,164.34
Kurow Rugby Football Club (Inc)	500.00
Life Matters Suicide Prevention Trust	1,420.00
Maheno School	2,265.00
Meadowbank Bowling Club	2,200.00
Musical Theatre Oamaru	2,000.00
N.O. Section NZAC	1,000.00
North Otago Cricket Assn Inc	5,000.00
North Otago Dog Training Club	3,571.50
North Otago Netball Centre Incorporated	3,000.00
North Otago Recreational Turf Trust	8,000.00
North Otago Riding for the Disabled	700.00
North Otago Rugby Football Union	8,000.00
North Otago Toy Library Inc	1,200.00
Oamaru Blue Light	1,250.00
Oamaru Free Kindergarten Association	3,000.00
Oamaru Multisport Club Inc	8,695.65
Oamaru Rowing Club Inc	1,954.00
Oamaru Whitestone Civic Trust	6,956.52
Old Boys Netball Oamaru Inc	2,590.00
Otago Southland Rescue Helicopter Trust	25,000.00
Pathfinders Gymnastics Club	3,200.00
Pembroke School	1,180.00
Pottery on Tyne Inc	650.00
Saints Trampoline Club Incorporated	780.00
Sport Otago	4,000.00
UC IEEE Student Branch	500.00
Valley Rugby Football Club Inc	7,590.24
Waitaki Boys Highschool	2,540.00
Waitaki Community Recreation Centre	1,043.48
Waitaki Girls High School	2,425.32
Waitaki Menzshed Oamaru	4,202.71
Waitaki Multicultural Council	4,174.00
Waitaki Whitestone Geopark Trust	616.00
Weston Playcentre	2,875.00
Weston School	5,504.88
Whalan Lodge Trust	2,398.00

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

AUDITORS

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

For and on behalf of the Trust,

Chairperson	Trustee
12 July 2023	12 July 2023

Comprehensive Income

for the year ended 31 March 2023

	Notes	GROUP 2023 $	GROUP 2022 $	TRUST 2023 $	TRUST 2022 $
Operating revenue	1	33,038,289	29,284,201		-
Customer discount		(999,710)	(991,290)		-
Dividend received		-	-	100,000	120,000
		32,038,579	28,292,911	100,000	120,000
Less					
Operating expenses	2	(11,070,375)	(8,093,379)	(201,260)	(153,580)
Transmission		(4,529,103)	(4,231,177)	-	-
Employee costs		(5,135,209)	(4,287,062)	-	-
Depreciation and amortisation	3	(5,418,750)	(5,326,039)	(7,442)	(620)
Operating profit		5,885,142	6,355,254	(108,702)	(34,200)
Finance income		48,261	9,879	59,642	52,254
Finance costs		(25,851)	(37,124)	-	-
Finance income net		22,410	(27,245)	59,642	52,254
Profit (Loss) before tax		5,907,552	6,328,009	(49,060)	18,054
Taxation	18	1,710,376	1,815,713	-	-
Net profit/(loss) for the year		4,197,176	4,512,296	(49,060)	18,054
Other comprehensive income		-	-	-	-
Total comprehensive income/(loss)		4,197,176	4,512,296	(49,060)	18,054

Changes in Equity

for the year ended 31 March 2023

GROUP	Group Equity	Retained Earnings	Total Equity
Balance at 1 April 2021	14,500,100	89,768,393	104,268,493
Profit for the year, being total comprehensive income	-	4,512,296	4,512,296
Balance at 31 March 2022	14,500,100	94,280,689	108,780,789
Balance at 1 April 2022	14,500,100	94,280,689	108,780,789
Profit for the year, being total comprehensive income	-	4,197,176	4,197,176
Balance at 31 March 2023	14,500,100	98,477,865	112,977,965

TRUST	Trust Equity	Retained Earnings	Total Equity
Balance at 1 April 2021	14,500,100	734,747	15,234,847
Loss for the year, being total comprehensive loss	-	18,054	18,054
Balance at 31 March 2022	14,500,100	752,801	15,252,901
Balance at 1 April 2022	14,500,100	752,801	15,252,901
Profit for the year, being total comprehensive profit	-	(49,060)	(49,060)
Balance at 31 March 2023	14,500,100	703,741	15,203,841

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

Financial Position

as at 31 March 2023

	Notes	GROUP 2023 $	GROUP 2022 $	TRUST 2023 $	TRUST 2022 $
CURRENT ASSETS					
Cash and cash equivalents	14	3,024,124	6,155,658	39,250	28,686
Short term deposits		-	70,000	-	70,000
Trade and other receivables	5	6,124,393	3,246,343	29,439	10,982
Inventories	6	4,091,370	2,546,655	-	-
Work in progress		225,277	31,150	-	-
TOTAL CURRENT ASSETS		**13,465,164**	**12,049,806**	**68,689**	**109,668**
NON-CURRENT ASSETS					
Investments	9	-	-	14,000,000	14,000,000
Loan to Network Waitaki Limited	10	-	-	1,150,000	1,150,000
Property, plant and equipment	11	122,589,421	117,181,171	3,045	10,487
Right-of-use assets	12	536,988	692,104	-	-
Intangible assets	13	242,677	341,794	-	-
TOTAL NON-CURRENT ASSETS		**123,369,086**	**118,215,069**	**15,153,045**	**15,160,487**
TOTAL ASSETS		**136,834,250**	**130,264,875**	**15,221,734**	**15,270,155**
CURRENT LIABILITIES					
Trade and other payables	7	5,110,743	3,179,068	17,893	17,254
Employee entitlements	8	847,428	706,893	-	-
Lease liabilities	12	177,287	191,959	-	-
Tax payable		56,230	159,415	-	-
TOTAL CURRENT LIABILITIES		**6,191,688**	**4,237,335**	**17,893**	**17,254**
NON-CURRENT LIABILITIES					
Lease liabilities	12	408,005	549,155	-	-
Deferred tax	18	17,256,592	16,697,597	-	-
TOTAL NON-CURRENT LIABILITIES		**17,664,597**	**17,246,752**	-	-
TOTAL LIABILITIES		**23,856,285**	**21,484,087**	**17,254**	**17,254**
EQUITY					
Trust equity	15	14,500,100	14,500,100	14,500,100	14,500,100
Retained earnings	16	98,477,865	94,280,689	703,741	752,801
TOTAL EQUITY		**112,977,965**	**108,780,789**	**15,203,841**	**15,252,901**
TOTAL LIABILITIES AND EQUITY		**136,834,250**	**130,264,875**	**15,221,734**	**15,270,155**

For and on behalf of the Trust,

Chairperson
12 July 2023

Trustee
12 July 2023

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

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Cash Flows

for the year ended 31 March 2023

	Notes	GROUP 2023 $	GROUP 2022 $	TRUST 2023 $	TRUST 2022 $
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash was provided from:					
Receipts from customers		29,178,986	28,267,336	-	-
Interest received		29,721	9,528	41,102	51,903
Dividend received		-	-	100,000	120,000
		29,208,707	28,276,864	141,102	171,903
Cash was disbursed to:					
Payments to suppliers and employees		(20,391,904)	(16,599,812)	(200,871)	(154,701)
Income tax (paid)/received		(1,254,566	(2,206,712)	-	-
Interest paid		(25,851)	(37,124)	-	-
Net GST (paid)/received		(9,332)	350,828	333	(3,170)
		(21,681,653)	(18,492,820)	(200,538)	(157,871)
NET CASH FROM OPERATING ACTIVITIES	4	7,527,054	9,784,044	(59,436)	14,032
CASH FLOWS FROM INVESTING ACTIVITIES					
Cash was provided from:					
Transfer from term deposits		70,000	30,000	70,000	30,000
		70,000	30,000	70,000	30,000
Cash was applied to:					
Transfer to term deposits		-	(70,000)	-	(70,000)
Purchase of property, plant and equipment		(10,532,931)	(12,998,993)	-	(11,108)
		(10,532,931)	(13,068,993)	-	(81,108)
NET CASH FROM INVESTING ACTIVITIES		(10,462,931)	(13,038,993)	70,000	(51,108)
CASH FLOWS FROM FINANCING ACTIVITIES					
Cash was applied to:					
Principal elements of lease liabilities		(195,657)	(191,959)	-	-
NET CASH FROM FINANCING ACTIVITIES		(195,657)	(191,959)	-	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS HELD		(3,131,534)	(3,446,907)	10,564	(37,074)
Cash and cash equivalents at beginning of the year		6,155,658	9,602,566	28,686	65,761
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		3,024,124	6,155,659	39,250	28,687

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

Notes to the Financial Statements

REPORTING ENTITY
Waitaki Power Trust (the Trust), and its subsidiary (together the Group) is the owner of an electricity distribution network in North Otago. The Group also undertakes contracting services. The Group's registered office is at 10 Chelmer Street, Oamaru, New Zealand.

The principal function of the Waitaki Power Trust is to hold the shares of Network Waitaki Limited for the benefit of the consumers of Network Waitaki Limited.

DATE OF APPROVAL
These financial statements have been approved for issue by the Trustees on 12 July 2023.

BASIS OF PREPARATION
These financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), as appropriate for profit-orientated entities. The Trust is eligible and has elected to report in accordance with Tier 2 for profit accounting standards NZ IFRS Reduced Disclosure Regime (NZ IFRS RDR) on the basis that the Trust has no public accountability and is not a large for profit public sector entity.

The financial statements have been prepared in accordance with the requirements of Clause 12.5 of the Trust Deed, the Companies Act 1993 and the Energy Companies Act 1992.

The financial statements for the 'Trust' are for the Waitaki Power Trust as a separate legal entity.

The financial statements for the Group are for the economic entity comprising Waitaki Power Trust and its subsidiary.

Waitaki Power Trust's subsidiary, Network Waitaki Limited, is:

- a New Zealand-registered Company under the Companies Act 1993;
- an energy Company as defined in the Energy Companies Act 1992.

Waitaki Power Trust is a profit-oriented entity for the purpose of complying with NZ IFRS RDR. In adopting NZ IFRS RDR, the Trust has taken a number of disclosure concessions.

The consolidated financial statements are prepared by combining the financial statements of the entities that comprise the consolidated entity, being the parent entity, and its subsidiary as defined in NZ IAS 27 Consolidated and Separate Financial Statements. Reliance for the consolidated figures has been placed on Network Waitaki Limited's audited accounts.

Subsidiary
The subsidiary is the entity over which the Group has control. The Trust is deemed to have control since it has the ability to appoint or remove members of the Board of Directors of the subsidiary.

The Group financial statements incorporate the financial statements of the entities that comprise the consolidated group, being the Parent, Waitaki Power Trust and its subsidiary, Network Waitaki Limited. Consistent accounting policies are used in preparation and presentation of the consolidated financial statements.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair value at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after reassessment, the fair value of the identifiable net asset acquired exceeds the cost of acquisition, the deficiency is credited to profit or loss in the period of acquisition.

The consolidated financial statements include the information and results of each subsidiary from the date on which the Company obtained control and until such time as the Company ceases to control the subsidiary.

In preparing consolidated financial statements, all intercompany balances and transactions, and unrealised profits arising within the consolidated entity are eliminated in full.

Functional and presentation currency
The Group's financial statements are presented in whole New Zealand dollars, rounded to the nearest dollar, which is the Group's functional and presentation currency.

Transactions denominated in foreign currencies are translated into the reporting currency using the exchange rate in effect at the transaction date. Foreign currency monetary items at balance date are translated at the exchange rate in effect at the balance date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates ruling at the date when the fair value is determined.

Exchange differences on foreign currency balances are recognised in the Statements of Comprehensive Income in the period that they occur.

Notes to the Financial Statements (continued)

GST
The Waitaki Power Trust was registered for GST effective 1 April 2018. Waitaki Power Trust's financial statements were previously prepared inclusive of GST. The Group's Statements of Comprehensive Income and Statements of Cash Flows were previously prepared so that Parent components were stated inclusive of GST and the Subsidiary's components stated exclusive of GST.

All items in the Statements of Financial Position are stated net of GST, with the exception of receivables and payables, which include GST invoiced.

Measurement base
The financial statements have been prepared on the historical cost basis and its modification by the revaluation of certain assets, as identified in specific accounting policies below.

Accounting policies adopted and applied ensure that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

Use of accounting estimates and judgements
The preparation of financial statements in conformity with NZ IFRS RDR requires management to make certain critical accounting estimates and judgements that affect the application of policies and the reported amount of assets, liabilities, income and expenses. The estimates and associated assumptions have been based on historical experience and other factors that are believed to be reasonable under the circumstances.

These estimates and judgements form the basis for making judgements about the carrying values of assets and liabilities, where these are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying judgements are regularly reviewed. Any changes to estimates are recognised in the period if the change affects that period, or in future periods if it also affects future periods.

In the process of applying the Group's accounting policies, management has made the following estimates and judgements that have had the most significant impact on the amounts recognised in these financial statements:

- Network reticulation assets are depreciated at the rates determined by the Commerce Commission in the Electricity Distribution Services Input. These rates are considered a reasonable estimate of useful lives. Depreciation rates applied are outlined in Note 11

- Lease Liabilities. Key accounting estimates have been applied in respect of the useful life, recoverable amount and incremental borrowing rates applied to the valuation of lease liabilities. These are outlined in Note 12.

- Long service leave entitlements are recognised on a proportional basis as probability of entitlement increases. This is outlined in Note 8.

New and amended standards adopted by the Group

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

PERFORMANCE

1. OPERATING REVENUE

Investment income

- Interest is recognised using the effective interest method.
- Dividends are recognised when the right to receive payment is established.
- Rental income is recognised on an accrual basis, in accordance with the substance of the relevant agreements.

Lease income

Revenue from operating leases is recognised on a straight-line basis over the period between rental reviews.

Network lines revenue

The Group provides network lines services to customers allowing connection to the wider distribution network. Such services are recognised as a series of distinct goods or services and is recognised as one performance obligation satisfied over time as the customer simultaneously receives and consumes the benefits of the service. Revenue is recognised as the service is being provided using an output method based on the actual delivery services provided on a daily basis.

Pricing is determined annually and retailers are charged based on a published price schedule and quantities delivered. Pricing includes a transmission and distribution charge relating to the operation of the network. Payment is due in respect of the network line service in the month following the service being provided. A receivable is recognised by the Company reflecting the amount owing for services provided.

As the delivery services are a promise to transfer a series of distinct services that are substantially the same, revenue is recognised based on a measure of progress for the single performance obligation that best depicts the transfer of services to the customer. It is therefore appropriate for revenue to be recognised in line with billing, as this best reflects the transfer of value to the customer. Revenue will be recognised over time.

Capital contributions revenue

The Group constructs assets and provides related electrical connection services to customers to enable a connection to the wider distribution network. Such contracts are not considered to have an enforceable right to payment for the performance obligation until the connection is complete. This single performance obligation is satisfied at a point in time when the electrical connection work is complete.

Pricing is determined with reference to the time and material associated with a specific contract for electrical work and is based on the level of activity required to enable a connection. Payment is generally based on 50% deposit and the remainder due at the completion of the connection. A contract asset is recognised by the Company reflecting the amount owing for services provided.

As a practical expedient in line with NZ IFRS 15, the Group has not adjusted the promised amount of consideration for any deposit received in respect of electrical contract works for a significant component. This is due to the period between when the Group transfers the electrical work to the customer and when the customer pays for the electrical work being less than one year.

Contracting revenue

The Group provides contracting services to a range of customers including the provision of labour to other electricity distribution businesses. Such contracts are not considered to have an enforceable right to payment for the performance obligation until the contracted work is complete. This single performance obligation is satisfied at a point in time when the contracted work is complete.

Pricing is determined with reference to the time and material associated with a specific job. Payment is due in respect of contracting services in the month following the service being provided. A receivable is recognised by the Group reflecting the amount owing for services provided.

Metering revenue

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

1. OPERATING REVENUE (continued)

	GROUP 2023 $	GROUP 2022 $	TRUST 2023 $	TRUST 2022 $
Operating revenue comprises:				
Revenue recognised over time				
Network lines revenue	23,029,070	20,679,311	-	-
Private network revenue	225,440	183,167	-	-
	23,254,510	20,862,478	-	-
Revenue recognised at a point in time				
Capital contributions	2,215,132	2,389,224	-	-
Contracting	5,053,070	4,057,070	-	-
Fault recoveries	396,411	466,700	-	-
	7,664,613	6,912,994	-	-
Other Revenue				
Metering	421,494	423,504	-	-
Bad debts recovered	1	653	-	-
Fibre rent received	449,870	425,506	-	-
EV Charging Income	49,049	-	-	-
Rent received	22,053	15,808	-	-
Loss rental rebate	1,023,281	507,462	-	-
Other income	153,418	135,796	-	-
	2,119,166	1,508,729	-	-
	33,038,289	**29,284,201**	**-**	**-**

(i) As at 31 March 2023, the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) is $1,443,814 (2022 $536,735), of which 100% will be recognised as revenue during the next reporting period.

2. OPERATING EXPENSES

	GROUP 2023 $	GROUP 2022 $	TRUST 2023 $	TRUST 2022 $
Operating expenses comprise:				
Operating costs	6,657,593	4,706,598	77,019	44,627
Consumer Asset Costs	784,529	838,788	-	-
Directors' fees	278,312	257,482	-	-
Insurance	835,802	553,264	10,050	8,092
Professional Fees	2,072,320	1,342,565	1,741	5,540
Trustee fees	103,600	88,321	103,600	88,321
Donations	149,551	142,813	-	-
Audit fees – PwC	99,797	80,900	8,850	7,000
Audit Disbursements (Financial Statements)-PWC	8,250	4,445	-	-
Taxation Services – Other Firms	14,805	11,000	-	-
Other regulatory audits – PwC	61,031	50,811	-	-
Other regulatory audits –other firms	4,785	8,687	-	-
Bad debts written off	-	7,705	-	-
	11,070,375	**8,093,379**	**201,260**	**153,580**

3. DEPRECIATION AND AMORTISATION

	GROUP 2023 $	2022 $	TRUST 2023 $	2022 $
Depreciation of PPE comprises:				
Buildings	130,704	108,664	-	-
Core reticulation network	3,511,431	3,273,345	-	-
Private reticulation network	69,932	54,138	-	-
Meters and relays	-	575	-	-
Plant and equipment	1,018,434	973,789	7,442	620
Fibre network	182,308	182,308	-	-
Intangibles	131,480	154,205	-	-
Total depreciation of PPE	5,044,289	4,747,024	7,442	620
Loss on disposal of property, plant and equipment	182,369	380,889	-	-
Total depreciation and amortisation of PPE	**5,226,658**	**5,127,913**	**7,442**	**620**
Depreciation if right-to-use assets comprises:				
Network reticulation system	173,581	173,581	-	-
Plant and equipment	18,511	24,545	-	-
Total depreciation of right-to-use assets	**192,092**	**198,126**	-	-
Total depreciation and amortisation	**5,418,750**	**5,326,039**	**7,442**	**620**

4. RECONCILIATION OF NET PROFIT WITH CASHFLOW FROM OPERATING ACTIVITIES

	GROUP 2023 $	2022 $	TRUST 2023 $	2022 $
Net profit/(loss) for the year	**4,197,176**	**4,512,296**	**(49,060)**	**18,054**
Add / (less) non-cash items:				
Depreciation and amortisation	5,418,750	5,326,039	7,442	620
Deferred taxation	558,995	856,092	-	-
	5,977,745	6,182,131	7,442	620
Add / (less) movements in working capital items:				
(Increase) / decrease in trade and other receivables	(2,878,050)	(31,278)	(18,457)	(5,703)
(Increase) / decrease in inventories	(1,544,715)	(537,685)	-	-
(Increase) / decrease in work in progress	(194,128)	159,259	-	-
Increase / (decrease) in tax payable	(103,185)	(1,247,094)	-	-
Increase / (decrease) in trade and other payables	1,931,675	727,667	638	1,063
Increase / (decrease) in employee entitlements	140,535	18,749	-	-
	(2,647,868)	(910,383)	(17,819)	(4,640)
Net cash flows from operating activities:	7,527,053	9,784,044	(59,437)	14,034

WORKING CAPITAL

5. TRADE RECEIVABLES

Trade receivables are amounts due from customers for goods or services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Details about the Group's impairment policies and the calculation of the loss allowance are provided in the financial asset policy.

	GROUP		TRUST	
	2023	2022	2023	2022
	$	$	$	$
Trade receivables	5,144,857	2,714,614	-	-
Loss allowance	(79,436)	(75,007)	-	-
Total receivables	5,065,421	2,639,607	-	-
Other receivables	322,252	3,219	19,027	487
Prepayments	730,537	597,001	4,229	3,979
GST	6,183	6,516	6,183	6,516
Balance at the end of the year	6,124,393	3,246,343	29,439	10,982
Less non-current trade receivables	-	-	-	-
Current trade and other receivables	**6,124,393**	**3,246,343**	**29,439**	**10,982**
Trade and other receivables less than 90 days old	6,039,466	3,223,678	29,439	10,982
Trade and other receivables greater than 90 days old	84,927	97,672	-	-
Gross trade and other receivables	**6,124,393**	**3,321,350**	**29,439**	**10,982**

6. INVENTORIES

Inventories are valued at the lower of cost and net realisable value, with additional allowance for obsolescence where necessary. The cost of finished goods comprises direct materials and, where applicable, direct labour and other direct variable costs incurred in order to bring inventories to their present location and condition. Costs are assigned to individual items of inventory on a weighted average cost basis.

	GROUP		TRUST	
	2023	2022	2023	2022
	$	$	$	$
Stores inventory	4,091,370	2,546,655	-	-

7. TRADE AND OTHER PAYABLES

Trade and other payables are recognised when the Group becomes obliged to make future payments resulting from the purchase of goods and services. Trade and other payables are recognised at fair value.

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

7. TRADE AND OTHER PAYABLES (continued)

	GROUP 2023 $	2022 $	TRUST 2023 $	2022 $
Trade payables	2,767,973	1,763,795	-	-
Accruals	480,052	449,969	17,893	17,254
Contract liability - capital contributions	1,443,814	536,735	-	-
GST payable	418,904	428,569	-	-
Balance at end of year	**5,110,743**	**3,179,068**	**17,893**	**17,254**

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

	GROUP 2023 $	2022 $	TRUST 2023 $	2022 $
Contract liability – capital contributions				
Opening balance	536,735	414,505	-	-
Amount of transaction price received for unsatisfied performance obligations	3,122,211	2,511,454	-	-
Revenue recognised from performance obligations satisfied	(2,215,132)	(2,389,224)	-	-
Closing balance	**1,443,814**	**536,735**	**-**	**-**

8. EMPLOYEE ENTITLEMENTS

Wages, salaries and annual leave
Employee entitlements to salaries, wages and annual leave are recognised when they accrue to employees.

Sick and special leave
Employee entitlements to sick and special leave are recognised when taken by employees. A provision is made for the additional amount that the Group expects to pay as a result of unused sick or special leave that has accumulated at balance date.

Long service leave
Long service leave is not recognised in the first 10 years of service. After 10 years of service, an allowance is made of 1/5 per year towards long service leave entitlement. This allowance is then discounted back to current value. Employees are entitled to long service leave after serving for 15 years.

Annual leave entitlements	729,676	661,922	-	-
Other entitlements	117,752	44,971	-	-
Total employee entitlements	**847,428**	**706,893**	**-**	**-**

Non-current Assets

9. INVESTMENTS

Subsidiary Entity	Interest Held	Date Started Trading	Balance Date	Principal Activity
Network Waitaki Limited	100%	27 September 1999	31 March	Ownership and operation of a network reticulation system

9. INVESTMENTS (continued)

Waitaki Power Trust investment in Network Waitaki Limited

	Shares at cost $
Opening balance as at 1 April 2021	14,000,000
Movement for the year	-
Closing balance as at 31 March 2022	14,000,000
Opening balance as at 1 April 2022	14,000,000
Movement for the year	-
Closing balance as at 31 March 2023	14,000,000

10. ADVANCES TO SUBSIDIARY

Waitaki Power Trust Advance to Network Waitaki Limited

	$
Opening balance as at 1 April 2021	1,150,000
Movement for the year	-
Closing balance as at 31 March 2022	1,150,000
Opening balance as at 1 April 2022	1,150,000
Movement for the year	-
Closing balance as at 31 March 2023	1,150,000

11. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment comprise mainly buildings, land, meters and relays, and office equipment. Buildings, meters and relays purchased prior to the adoption of NZ IFRS, 1 April 2006, are shown at 'deemed cost' less subsequent depreciation and impairment write-down. Land purchased prior to 1 April 2006 is shown at deemed cost.

Property, plant and equipment acquired subsequent to the adoption of 'deemed cost', after 1 April 2006, is recorded at the value of the consideration given to acquire the assets, plus the value of other directly attributable costs which have been incurred in bringing the assets to the location and condition necessary for their intended service, less subsequent depreciation and impairment write-down.

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

Network reticulation assets acquired subsequent to the adoption of 'deemed cost' are recorded at the value of the consideration given to acquire the assets and the value of other directly attributable costs which have been incurred in bringing the assets to the location and condition necessary for their intended service less subsequent depreciation and impairment write-down.

Capital contributions are amortised over 10 years.

Easements are recorded at cost. Assets sited on easements will normally be renewed at the end of their economic life in the same location in which they are currently housed. On this basis, the easement itself has an indefinite life. Annually, easements are tested for signs of impairment.

Contracting Equipment comprises mainly plant and equipment used in the construction and repair of network reticulation systems. Items are recorded at the value of the consideration given to acquire the assets and the value of

11. PROPERTY, PLANT AND EQUIPMENT (continued)

directly attributable costs which have been incurred in bringing the assets to the location and condition necessary for their intended service less subsequent depreciation and impairment write-down.

Depreciation of Property, Plant and Equipment is provided on all property, plant and equipment, other than freehold land, at rates that will allocate the assets' cost or valuation, to their residual values, over their estimated lives. All network reticulation system assets and contracting equipment assets are depreciated on a straight line basis; other assets are depreciated using both straight line and diminishing value.

The following depreciation rates have been used:

Item	Depreciation rate
Network reticulation system	1.0% to 10.0%
Fibre network	7.0%
Buildings	1.25% to 13.5%
Meters and relays	14.3% to 20.0%
Plant and equipment	5.0% to 67.0%

Gains and losses on disposal of property, plant and equipment are taken into account in determining the operating result for the year.

WORK IN PROGRESS

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

IMPAIRMENT

Assets that have an indefinite useful life, for example easements, are not subject to depreciation and are tested annually for impairment. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that have suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

WAITAKI POWER TRUST

	Plant & Equipment	Total
Gross Carrying Amount		
At 1 April 2021	-	-
Additions	11,108	11,108
At 31 March 2022	11,108	11,108

Additions	-	-
Disposals	-	-
At 31 March 2023	11,108	11,108
Accumulated Depreciation and Amortisation		
At 1 April 2021	-	-
Charge for the Year	620	620
Disposals	-	-
At 31 March 2022	620	620
Charge for the Year	7,442	7,442
At 31 March 2023	8,062	8,062
Net Book Values		
At 31 March 2023	3,046	3,046

Notes to the Financial Statements (continued)

11. PROPERTY, PLANT AND EQUIPMENT (continued)

GROUP

	Core Reticulation Network	Private Reticulation Network	Land & Buildings	Meters & Relays	Fibre Network	Plant & Equipment	Total
	$	$	$	$	$	$	$
Gross Carrying Amount							
At 1 April 2021	136,638,253	1,560,214	4,172,791	2,595,397	2,604,400	9,772,608	157,343,663
Additions	10,587,316	986,040	343,263	-	-	1,266,601	13,183,220
Disposals	(815,299)	-	-	-	-	(726,318)	(1,541,617)
Transfers	(239,397)	-	-	-	-	239,397	-
At 31 March 2022	**146,170,873**	**2,546,254**	**4,516,054**	**2,595,397**	**2,604,400**	**10,552,288**	**168,985,266**
Additions	8,765,387	158,158	126,628	-	-	1,243,189	10,293,362
Disposals	(567,343)	-	-	-	-	(263,655)	(830,998)
At 31 March 2023	**154,368,917**	**2,704,412**	**4,642,682**	**2,595,397**	**2,604,400**	**11,531,822**	**178,447,630**
Accumulated Depreciation and Amortisation							
At 1 April 2021	39,933,287	14,118	781,425	2,594,822	1,913,570	5,403,005	50,640,227
Charge for the Year	3,273,346	54,138	108,664	575	182,308	973,788	4,592,819
Disposals	(332,184)	-	-	-	-	(643,467)	(975,651)
Transfers	(160,030)	-	-	-	-	160,030	-
At 31 March 2022	**42,714,419**	**68,256**	**890,089**	**2,595,397**	**2,095,878**	**5,893,356**	**54,257,395**
Charge for the Year	3,511,431	69,932	130,704	-	182,308	1,018,434	4,912,809
Disposals							
Transfers	(326,233)	-	-	-	-	(178,655)	(504,888)
At 31 March 2023	**45,899,617**	**138,188**	**1,020,793**	**2,595,397**	**2,278,186**	**6,733,135**	**58,665,316**
Net Book Values							
At 31 March 2022	103,456,454	2,477,998	3,625,965	-	508,522	4,658,932	114,727,871
Work in Progress	1,235,110	885	714,454	-	-	502,851	2,453,300
	104,691,564	2,478,883	4,340,419	-	508,522	5,161,783	117,181,171
At 31 March 2023	108,469,300	2,566,224	3,621,889	-	326,214	4,798,687	119,782,314

Work in Progress	1,808,214	-	180,770	-	-	818,123	2,807,107
	110,277,514	**2,566,224**	**3,802,659**	**-**	**326,214**	**5,616,810**	**122,589,421**

12. LEASES

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

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

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

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

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

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

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

	GROUP		TRUST	
	2023	2022	2023	2022
	$	$	$	$
Current	177,287	191,959	-	-
Non-current	408,005	549,155	-	-
Total lease liabilities	**585,292**	**741,114**	-	-

Interest expenses on these leases totalling $28,605 (2022: 36,526) is included in finance costs in the income statement.

RIGHT-OF-USE ASSETS

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

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

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

12. LEASES (continued)

Right-of-use Assets (Group)

	Reticulation Network	Plant & Equipment	Total
	$	$	$
Gross Carrying Amount			
1 April 2021	1,199,957	90,387	1,290,344
New Leases	-	-	-
Variable Lease Adjustments			
Terminated Leases	-	-	-
At 31 March 2022	**1,199,957**	**90,387**	**1,290,344**
New Leases	-	39,835	39,835
Variable Lease Adjustments	-	-	-
Terminated Leases	-	(90,387)	(90,387)
At 31 March 2023	**1,199,957**	**39,835**	**1,239,792**
Accumulated Depreciation (Group)			
1 April 2021	351,523	48,591	400,114
Charge for the Year	173,581	24,545	198,126
Terminated Leases	-	-	-
At 31 March 2022	**525,104**	**73,136**	**598,240**
Charge for the Year	173,581	18,511	192,092
Terminated Leases	-	(87,528)	(87,528)
At 31 March 2023	**698,685**	**4,119**	**702,804**
Net Book Values			
At 31 March 2022	674,853	17,251	692,104
At 31 March 2023	**501,272**	**35,716**	**536,988**

The Trust has no right-of-use assets.

LEASE INCOME

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

	GROUP		TRUST	
	2023	2022	2023	2022
	$	$	$	$
No later than one year	483,474	445,385	-	-
Later than one year and no later than five years	1,888,410	1,755,472	-	-
Later than five years	3,583,081	3,780,993	-	-
	5,954,965	**5,981,850**	-	-

13. INTANGIBLE ASSETS

Intangible assets consist solely of computer software, which is recorded at the value of the consideration given to acquire the assets plus the value of other directly attributable costs which have been incurred in bringing the assets to the location and condition necessary for their intended service.

Amortisation of intangible assets is provided for at rates that will allocate the assets' cost or valuation, to their residual values, over their estimated lives. All intangible assets are amortised on a straight-line basis.

Intangible assets are carried at cost less accumulated amortisation.

The following amortisation rates have been used:

Item	*Depreciation Rate*
Computer Software	15% to 40%

GROUP	**2023 $**	**2022 $**
Purchased Software		
Gross Carrying Amount		
Opening Balance	1,413,501	1,662,204
Additions	32,363	205,550
Disposals	-	(454,253)
Closing Balance	1,445,864	1,413,501
Accumulated Amortisation and Impairment		
Opening Balance	1,071,707	1,371,756
Charge for Year	131,480	154,205
Disposals	-	(454,254)
Closing Balance	1,203,187	1,071,707
Net Book Value	242,677	341,794
Work in Progress	-	-
Carrying Amount	**242,677**	**341,794**

The Trust has no intangible assets.

Net debt and equity

14. CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

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

	GROUP		TRUST	
	2023	2022	2023	2022
	$	$	$	$
NZD bank account	2,376,423	6,155,658	39,250	28,686
USD bank account	647,701	-	-	-
Term deposits (less than 90 days)	-	-	-	-
Closing Balance	**3,024,124**	**6,155,658**	**39,250**	**28,686**

All term deposits and bank accounts are interest bearing including the USD bank account.

Short term deposits

Short term deposits comprise cash deposits held with financial institutions with a maturity greater than three months and less than twelve months. Interest income is recognised using the effective interest method.

Financial assets

Classification

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

Amortised cost

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

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

Recognition and measurement

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

Impairment of financial assets

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

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

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

Borrowings
Borrowings are initially measured at fair value plus transaction costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Statements of Comprehensive Income over the period of the borrowings, using the effective interest method.

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

15. TRUST EQUITY

	GROUP		TRUST	
	2023	2022	2023	2022
	$	$	$	$
Fully paid-up trust equity	14,500,100	14,500,100	14,500,100	14,500,100

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

16. RETAINED EARNINGS

Balance at beginning of the year	94,280,689	89,768,393	752,801	734,747
Net surplus / (deficit) for the year	4,197,176	4,512,296	(49,060)	18,054
Balance at the end of the year	**98,477,865**	**94,280,689**	**703,741**	**752,801**

Capital risk management
The Group's objective when managing capital, which comprises share capital plus retained earnings, is to safeguard the ability to continue as a going concern and to provide acceptable returns to shareholders.

The Group is not subject to any externally imposed capital requirements.

In order to maintain or adjust the capital structure, the Group may adjust the amount of discount paid to consumers.

Financial risk management
Risk management is carried out by management under policies approved by the Board of Directors. Management identifies and evaluates relevant financial risks and acts to manage these risks, where possible, within the parameters set out by the Board of Directors. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk and credit risk.

Market risk
(i) Foreign exchange risk
The Group's revenue is entirely denominated in New Zealand dollars and it has limited currency exposure in the foreseeable future. The Group may from time to time purchase assets denominated in foreign currency. Board approval is required for foreign currency-denominated contracts valued above a specified threshold, together with a recommendation on the manner in which the foreign currency exposure is to be managed, which may include the use of foreign exchange contracts.

(ii) Cash flow and fair value interest rate risk
The Group has no interest rate risk arising from long term borrowings. Board approval is required for borrowings, together with a recommendation on the manner in which the interest rate risk is to be managed.

Credit risk for the subsidiary
Credit risk is managed by the Group under policy approved by the board. Credit risk arises from cash and cash equivalents and deposits with banks, as well as credit exposure to customers, including outstanding receivables and committed transactions. Investments with approved counter parties are limited to a term of no more than 24 months The Company will diversify its investments, where is economic to do so with no more than $3 million or 25% of current investments, whichever is greater, in any one institution. Credit risk associated with trade receivables is limited through electricity retailer invoicing for line and metering charges rather than individual consumer invoicing for line and metering charges. Credit risk is also limited in trade receivables by the requirement of a 50% deposit of the total cost of new connections before work is started. Credit risk for contracting activities are assessed on a per contract basis.

Credit risk for the Trust
For banks, only the ANZ Banking Group (New Zealand) Limited, Bank of New Zealand, National Australia Bank (NZ) Limited, The National Bank of New Zealand Limited, Westpac Banking Corporation, any member of Trust Bank group or any other bank listed in the register of registered banks referred to in Section 69 of the Reserve Bank of New Zealand Act 1989 are acceptable.

For other investments, only the shares or other equity securities or debt securities of Network Waitaki Limited or its successor Company, or the stock, funds or other securities of the New Zealand Government are acceptable.

Liquidity risk
Liquidity risk management has the objective of maintaining sufficient cash and the availability of funding through an adequate amount of credit facilities to meet the short and long-term commitments of the Group as they arise in an orderly manner. Management monitors rolling forecasts of the Group's liquidity requirements on the basis of expected cash flow. The Board of Directors approves all new borrowing facilities for Network Waitaki Limited. Trustee approval is required for all new borrowing related to the Parent.

Surplus cash held by the operating entities over and above the balance required for working capital management is invested in interest-bearing call accounts and term deposits.

Note 17 analyses the Group's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period, at the statements of financial position date to the contractual maturity date. Derivative financial liabilities are included in the analyses if their contractual maturities are essential for an understanding of timing of cash flows. The amounts disclosed in the table are contractual undiscounted cash flows.

Fair value estimation
The fair value of financial assets and liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value for any financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date.

17. ANALYSES OF FINANCIAL LIABILITIES

	Less than 1 Year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
GROUP				
At 31 March 2022				
Trade and Other Payables	3,179,068	-	-	-
Employee Entitlements	706,893	-	-	-
At 31 March 2023				
Trade and Other Payable	5,110,743	-	-	-
Employee Entitlements	847,428	-	-	-
TRUST				
At 31 March 2022				
Trade and Other Payables	17,255	-	-	-
At 31 March 2023				
Trade and Other Payable	17,893	-	-	-

Other

18. INCOME TAX

Income tax expense in relation to the profit or loss for the period comprises current tax and deferred tax.

Current tax is the amount of income tax payable on the taxable profit from the current year, plus any adjustments to income tax payable in respect of the prior year. Current tax is calculated using rates that have been enacted or substantially enacted by balance date.

Deferred tax is the amount of income tax payable or receivable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on the temporary difference arising on investments in associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

	GROUP		TRUST	
	2023	2022	2023	2022
	$	$	$	$
Tax expense for period made up of:				
Income tax expense	1,151,381	959,621	-	-
Deferred taxation expense	558,995	856,092	-	-
	1,710,376	**1,815,713**	**-**	**-**
Operating surplus (loss) before income tax	5,907,552	6,429,955	(49,060)	18,054
Prima facie taxation	1,744,911	1,806,345	-	5,958
Movement in income tax due to:-				
Non-deferred tax differences				
Non-deductible expenses	7,875	5,694	-	-
Prior period adjustment	6,650	9,632	-	-
Trust loss not recognised	(49,060)	(5,958)	(49,060)	(5,958)
	(34,535)	9,368	(49,060)	(5,958)
Tax Expense	**1,710,376**	**1,815,713**	**-**	**-**
Deferred tax expense				
Capital contributions	(38,314)	85,426	-	-
Prior period adjustments	(155,437)	3,060	-	-
Depreciation	664,469	790,523	-	-
Other	88,277	(22,917)	-	-
	558,995	**856,092**	**-**	**-**
Current income tax expense	**1,151,381**	**959,621**	**-**	**-**

GROUP DEFERRED TAX	Depreciation	Other	Total
Deferred Tax Liability			
Opening Balance as at 1 April 2021	13,528,241	2,313,264	15,841,505
Change in the Year	793,583	62,509	856,092
Closing Balance as at 31 March 2022	14,321,824	2,375,773	16,697,597
Opening Balance as at 1 April 2022	14,321,824	2,375,773	16,697,597

Change in the Year	509,032	49,963	558,995
Closing Balance as at 31 March 2023	**14,830,856**	**2,425,736**	**17,256,592**

Waitaki Power Trust tax loss carried forward for 2023 is $1,245,263 (2022: $1,196,203).

Notes to the Financial Statements (continued)

19. RELATED PARTY TRANSACTIONS

Payments from Waitaki Power Trust to Network Waitaki Limited

The loan is interest only, with no maturity date; however, the Waitaki Power Trust has agreed to give Network Waitaki Ltd a minimum of 12 months' notice of the requirement to make any repayment of the advance outstanding or part thereof. Interest payable from the Borrower to the Lender on the balance of the loan outstanding is calculated at an interest rate equivalent to the prescribed rate for Fringe Benefit Tax

Loan Outstanding at Balance Date	1,150,000

Payments from Network Waitaki Limited to Waitaki Power Trust

Interest	59,640

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

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

Directors Fees	41,150

Payments from Network Waitaki Limited to Berry & Co

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

Purchase of goods and services	8,294
Payable balance as at 31 March 2023	7,642
Unbilled Fees	5,100

Payments from Network Waitaki Limited to Clements Electrical Limited

Clements Electrical Limited is related to Network Waitaki Limited through John Clements being a Trustee of the Waitaki Power Trust and being a Shareholder of Clements Electrical Limited.

Contracting services	42,574
Payments outstanding at balance date – trade payables	1,000

Payments from Clements Electrical to Network Waitaki Limited

Clements Electrical Limited is related to Network Waitaki Limited through John Clements being a Trustee of the Waitaki Power Trust and being a Shareholder of Clements Electrical Limited.

Contracting services	27,369
Payments outstanding at balance date – trade receivables	4,648

Payments from Network Waitaki Limited to I.T.online Ltd (Ember Technology)

I.T.online Ltd is related to Network Waitaki Ltd through its Director, Chris Bailey, who is a Director of I.T.online Ltd (Ember Technology).

Purchase of goods and services	7,500
Payable balance as at 31 March 2023	500

Payments from Network Waitaki Limited to Lone Wolf Enterprises Limited

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

Directors Fees	41,150

Payments from Network Waitaki Limited to Original Performance Solutions Limited
Original Performance Solutions Limited is related to Network Waitaki Limited through its Director, Chris Bailey, who is a Shareholder and Director of Original Performance Solutions Limited.

Directors Fees	41,150

Notes to the Financial Statements (continued)

19. RELATED PARTY TRANSACTIONS (continued)

Payments from Network Waitaki Limited to Whitestone Contracting Limited
Whitestone Contracting Limited is related to Network Waitaki Limited through:

- its Director, Jonathan Kay, who is a Director of Whitestone Contracting

Purchase of goods and services	604,972
Payables Balance as at 31 March 2023	115,366

Payments from Network Waitaki Limited to key management personnel

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

Employee Costs	1,258,161

20. CAPITAL COMMITMENTS

	GROUP		TRUST	
	2023	2022	2022	2021
	$	$	$	$
Network assets	2,295,883	578,558	-	-
Non-network assets	665,792	1,159,558	-	-
Total	**2,961,675**	**1,738,116**	**-**	**-**

21. CONTINGENT LIABILITIES

On 4 October 2020 a fire started in the Lake Ohau area. The fire spread over 5,000 hectares of land and destroyed 48 homes and buildings. The Insurance Council has estimated the cost of the fire was approximately $35 million. In November 2021, Fire and Emergency New Zealand released a Wildfire Investigation Report into the origin and cause of the fire. They found the fire was accidentally caused by an electrical short circuit on a power pole on the Company's network. The Company disputes Fire and Emergency's findings. A number of people have indicated that they are considering bringing claims against the Company, but no claims have been brought.

Also on 4 October 2020, a vegetation fire occurred in McKenzie Road, Livingstone which spread over 948 hectares of land. Fire and Emergency New Zealand have concluded that the fire was most likely caused by a tree falling on and breaking 11kV conductors on the Company's network. The damaged conductors then ignited vegetation. The Company agrees with these conclusions. A nearby landowner has indicated they will claim against the Company for the damage they suffered due to the fire. The Company disputes liability to this landowner. To date, no claim has been filed in Court.

21. SUBSEQUENT EVENTS

A review of events subsequent to 31 March 2023 through to the date the annual report was issued has been undertaken, and it has been determined that there were no such events requiring recognition or disclosure in the Annual Report.

Independent auditor's report

To the Trustees of Waitaki Power Trust

Our opinion

In our opinion, the accompanying financial statements of Waitaki Power Trust (the Trust), including its subsidiary (the Group), present fairly, in all material respects, the financial position of the Group and the Trust as at 31 March 2023, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime (NZ IFRS RDR).

What we have audited

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

- the financial position as at 31 March 2023;
- the comprehensive income for the year then ended;
- the changes in equity for the year then ended;
- the cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

Our firm carries out other services for the Group in the areas of compliance with the Electricity Distribution (Information Disclosure) Requirement 2012. The provision of these other services have not impaired our independence as auditor of the Group.

Other information

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Trustees for the financial statements

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

In preparing the financial statements, the Trustees are responsible for assessing the 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 financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board's website at:

https://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-7/

This description forms part of our auditor's report.

Who we report to

This report is made solely to the Trust's Trustees, as a body. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trust and the Trust's s, 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 Maxwell (John) Dixon.

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants

12 July 2023

Christchurch