



NORTHPOWER
ELECTRIC POWER TRUST

ANNUAL REPORT 2017

DIRECTORY

Northpower Electric Power Trust

Chairman:

E A Angelo, CA Whangarei

Deputy Chairman:

R J Drake, MNZM Kaipara

Other Trustees:

A J Davies-Colley (retired Nov '16) Whangarei

I M Durham BBM, Grad Dip (Fin) Whangarei

S K McKenzie Kaipara

K R Provan Whangarei

W E Rossiter, QSM Whangarei

P M W Yovich, CA (elected Nov '16) Whangarei

Secretariat:

B A Martin, CA Plus Chartered Accountants Limited

Bankers:

ASB Whangarei

Auditor:

BDO Northland

Northpower Limited

Chairman:

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

Directors:

D J Ballard, BEng (Hons), MBA

R J Black, BEng (Civil) (Hons), FREng, FIPENZ

R C Booth, MBA, Dip Ag

P G Hutchings, BEng (Hons), Dip Bus Admin

M B James, BCom, CA

L S Kubiak

M D Trigg, BEng, Chemicals and Materials



NORTHPOWER ELECTRIC POWER TRUST ANNUAL REPORT

FOR THE YEAR ENDED 31 MARCH 2017

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01 TRUSTEES' REPORT

The Trustees' role

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

Trustees' responsibilities cover: appointing Directors of Northpower Ltd and monitoring their performance; agreeing with the Directors on Northpower's Statement of Corporate Intent; receiving and distributing income from Northpower Ltd by way of dividends; exercising the rights and responsibilities of diligent shareholders; meeting with the Directors on a regular basis to consider the performance of Northpower Ltd; and reporting annually to beneficiaries.

Seven Trustees are elected every three years by the public of the Kaipara and Whangarei Districts to hold the shares in Northpower Ltd on behalf of the Trust's beneficiaries, who are the electricity consumers of the districts. The Northpower Electric Power Trust was registered in 1993.

Trustee elections

An election for Trustees was held in October/November 2016 and on 24 November 2016 the following Trustees were elected for a three year term:

Angelo, Ercoli (returned)
Drake, Richard (returned)
Durham, Irene (returned)
McKenzie, Sheena (returned)
Provan, Ross (returned)
Rossiter, Bill (returned)
Yovich, Paul (elected)
Davies-Colley, Tony (retired)

Trustees appointed Erc Angelo as their Chair and Richard Drake as their Deputy Chair for three years until the next election.



Distribution to consumers

A distribution of \$4,493,840 (\$80 per consumer) was paid to consumers in December 2016 by way of a credit to all consumer beneficiaries' electricity accounts.

Ownership review

The Ownership Review process started in February 2017 pursuant to the Trust Deed with the final step being a series of public meetings and 89 submissions being received. Three public meetings were held in Whangarei, Kaiwaka and Dargaville followed by a meeting to hear submissions in Whangarei in May 2017 and a final Trustee meeting, which the public could attend, on 8 June 2017. At this meeting the Trustees decided to retain the Company shares in Trust ownership.

Directorship

At each Annual General Meeting of Northpower Ltd, the Company's constitution requires that one third of the Directors will retire and may seek reappointment. In July 2016, Russell Black and Nikki Davies-Colley retired by rotation and were reappointed to the Board by the Trustees.

Phillip Hutchings and Laurence Kubiak have also been appointed to the Board in February 2017.

The selection and appointment of the Directors of Northpower is a crucial part of the Trustees' responsibilities. Trustees seek regular external perspectives on the performance of Northpower Directors. The results have confirmed that Northpower is governed by a well performing Board.



03 TRUSTEES' REPORT

Working with Directors

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

Regulatory and industry specific issues

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

Trustees keep abreast of regulatory and industry issues through focus meetings with industry representatives; regular contact with the Directors on significant issues as they arise; and via the Energy Trusts of New Zealand. The Northpower Trust Chairman, Erc Angelo, is the Deputy Chair of ETNZ, providing the benefits of even closer liaison with ETNZ generally.



Consumer contact

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

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

Financial report

The Northpower Trust's 2017 financial statements are required to be consolidated with those of Northpower Ltd. The Trust's results are presented in the 'parent' column and the 'consolidated' column reflects the results of the Company and the Trust.

BDO Northland has completed the audit of the Trust's financial report and consumers will have the opportunity to approve the appointment of BDO Northland as the Trust's auditors for the year ending 31 March 2018 at the 2017 AGM on 31 July 2017.

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TRUSTEES' STATEMENTS

For the year ended 31 March 2017

The Trustees present the summary annual report of the Northpower Electric Power Trust, incorporating the summary financial statements for the year ended 31 March 2017. The full annual report and audited financial statements are available at Northpower's website: www.northpower.com.

Principal activities

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

Trustees holding office during the year

The following Trustees held office during the year:

Ercoli Angelo
Richard Drake
Tony Davies-Colley (retired Nov '16)
Irene Durham
Ross Provan
Sheena McKenzie
William Rossiter
Paul Yovich (elected Nov '16)

Trustee remuneration and meeting fees paid were as follows

	2017	2016
	\$	\$
E A Angelo	49,510	49,011
R J Drake	35,718	34,380
A J Davies-Colley	17,917	26,500
I M Durham	27,390	27,380
S K McKenzie	28,270	27,380
K R Provan	28,490	26,940
W E Rossiter	27,390	27,380
P M W Yovich	9,033	
	223,718	218,971

Auditor of the Trust

The appointed auditor of the Trust for the year ended 31 March 2017 is BDO Northland.

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

For and on behalf of the Board of Trustees.

Ercoli Angelo
Chairman



SUMMARY INCOME STATEMENT

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For the year ended 31 March 2017

	TRUST 31 Mar 17	TRUST 31 Mar 16
Income		
Dividend from Northpower Limited	5,000,000	5,000,000
Interest Received	91,574	82,241
Total Income	5,091,574	5,082,241
Operating Expenses		
AGM Expenses	6,371	0
Audit Fees	18,473	16,733
Bank Charges	190	145
Conference Expenses & Travel	11,832	13,639
Consumer Call Centre	917	1,325
Director Recruitment	62,227	3,353
Distribution/Administration Expenses	22,167	0
Election Expenses	110,449	0
ETNZ Levy	6,939	6,852
General Expenses	254	86
Insurance	2,959	7,006
Meeting Expenses	2,289	3,151
Ownership Review Expenses	4,337	0
Secretarial Expenses	37,260	37,260
Trustees' Fees & Allowances	223,717	218,971
Trustees' Travel Expenses	4,505	5,889
Total Expenses	514,884	314,410
Profit Before Taxation	4,576,691	4,767,831
Adjustments and Taxation for the Year		
Provision for Taxation	207,531	131,718
Total Adjustments and Taxation for the Year	207,531	131,718
Net Profit	4,369,160	4,636,113
Distribution to Consumers	4,493,840	2,774,617
ASB Bank Deposits	475,021	621,045
Trustee Fees and Allowances		
E Angelo	49,510	
R Drake	35,718	
T Davies-Colley	17,916	
I Durham	27,390	
S McKenzie	28,270	
R Provan	28,490	
W Rossiter	27,390	
P Yovich	9,033	
Total	223,718	

The figures in the above statement are consistent with the audited consolidated financial statements of Northpower Electric Power Trust. The complete set of audited consolidated financial statements of Northpower Electric Power Trust is available at Northpower's website: www.northpower.com.

SUMMARY STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2017

	Notes	CONSOLIDATED		TRUST	
		2017 \$000s	2016 \$000s	2017 \$000s	2016 \$000s
Continuing Operations					
Revenue	2a	290,517	262,245	5,092	5,082
Other income	2b	4,521	917	-	-
Materials/supplies expenses		121,114	106,604	-	-
Employee benefits expenses		102,275	95,645	-	-
Transmission costs		19,149	18,424	-	-
Depreciation and amortisation expenses		15,904	16,764	-	-
Other expenses		8,073	9,447	516	314
Finance costs		3,964	4,316	-	-
Share of (profit) / loss in associate		(752)	368	-	-
Profit before income tax		25,311	11,594	4,576	4,768
Income tax expense		(7,103)	(3,577)	(208)	(131)
Profit for the year from continuing operations attributable to the equity holders of the Trust		18,208	8,017	4,368	4,637
(Loss)/profit for the year from discontinued operations	3	(21,218)	1,191	-	-
(Loss)/profit for the year attributable to the equity holders of the Trust		(3,010)	9,208	4,368	4,637
Other comprehensive income					
<i>Items that may be reclassified to profit or loss</i>					
Exchange differences on translation of foreign operations		(880)	1,172	-	-
<i>Items that will not be reclassified to profit or loss</i>					
Net fair value gains on investments measured at FVTOCI		18	48	-	-
Net fair value gains on derivatives designated as FVTPL attributable to changes in credit risk		34	-	-	-
Net fair revaluation gains on land and buildings		-	402	-	-
Income tax relating to these items		-	(311)	-	-
Other comprehensive (loss)/income for the period net of tax		(828)	1,311	-	-
Total comprehensive (loss)/income for the period		(3,838)	10,519	4,368	4,637

The full audited financial statements are available at Northpower's website: www.northpower.com.

SUMMARY BALANCE SHEET

As at 31 March 2017

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	Notes	CONSOLIDATED		TRUST	
		2017 \$000s	2016 \$000s	2017 \$000s	2016 \$000s
Assets					
Current Assets					
Cash and cash equivalents		2,516	2,168	475	621
Trade and other receivables		38,029	37,576	5,066	5,108
Work in progress - construction contracts		26,578	23,100	-	-
Inventory		10,050	10,044	-	-
Tax refund due		168	102	168	102
		77,341	72,990	5,709	5,831
Assets classified as held for sale		8,919	-	-	-
Total current assets		86,260	72,990	5,709	5,831
Non-current assets					
Other financial assets		883	865	-	-
Investment in subsidiaries		-	-	35,989	35,989
Assets under construction		9,844	6,426	-	-
Goodwill and intangible assets		12,217	12,873	-	-
Investment in associates		23,861	16,634	-	-
Derivative financial instruments		72	-	-	-
Investment property		735	4,672	-	-
Property, plant and equipment		321,001	341,968	-	-
Total non-current assets		368,613	383,438	35,989	35,989
Total Assets		454,873	456,428	41,698	41,820
Liabilities					
Current Liabilities					
Borrowings		-	809	-	-
Trade and other payables		31,723	28,147	25	22
WCE closure provisions	4	10,694	-	-	-
Provision for tax		5,736	153	-	-
Derivative financial instruments		-	64	-	-
Employee entitlements		9,355	8,505	-	-
		57,508	37,679	25	22
Liabilities directly associated with assets classified as held for sale		1,140	-	-	-
Total current liabilities		58,648	37,679	25	22
Non-current liabilities					
Employee entitlements		851	932	-	-
Borrowings		79,900	91,532	-	-
Derivative financial instruments		2,200	3,514	-	-
Deferred taxation		57,664	59,031	-	-
Total non-current liabilities		140,615	155,009	-	-
Total Liabilities		199,263	192,688	25	22
Net Assets		255,610	263,740	41,673	41,798
Equity					
Trust Capital		35,989	35,989	35,989	35,989
Asset revaluation reserve		37,885	40,072	-	-
Other reserves		100	48	-	-
Foreign currency translation reserve		(3,227)	(2,347)	-	-
Retained earnings		184,863	189,978	5,684	5,809
Equity attributable to equity holders of the Trust		255,610	263,740	41,673	41,798
Total Equity		255,610	263,740	41,673	41,798

The full audited financial statements are available at Northpower's website: www.northpower.com.

SUMMARY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2017

	Trust Capital \$000s	Retained Earnings \$000s	Other Reserves \$000s	Asset Revaluatn Reserve \$000s	Foreign Cur Translatn Reserve \$000s	Total \$000s
Consolidated						
As at 1 April 2016	35,989	189,978	48	40,072	(2,347)	263,740
Loss for the period	-	(3,010)	-	-	-	(3,010)
Other comprehensive income for the period	-	-	52	-	(880)	(828)
Transfer from Asset Revaluation Reserve	-	2,388	-	(2,388)	-	-
Deferred Tax on above	-	-	-	201	-	201
Total comprehensive income for the period	-	(622)	52	(2,187)	(880)	(3,637)
Transactions with owners in their capacity as owners						
Distributions paid to consumer beneficiaries	-	(4,493)	-	-	-	(4,493)
As at 31 March 2017	35,989	184,863	100	37,885	(3,227)	255,610
As at 1 April 2015	35,989	183,856	-	39,670	(3,519)	255,996
Profit for the period	-	9,208	-	-	-	9,208
Other comprehensive income for the period	-	(311)	48	402	1,172	1,311
Total comprehensive income for the period	-	8,897	48	402	1,172	10,519
Transactions with owners in their capacity as owners						
Distributions paid to consumer beneficiaries	-	(2,775)	-	-	-	(2,775)
As at 31 March 2016	35,989	189,978	48	40,072	(2,347)	263,740
Trust						
As at 1 April 2016	35,989	5,809	-	-	-	41,798
Profit for the period	-	4,368	-	-	-	4,368
Other comprehensive income for the period	-	-	-	-	-	-
Transfer from Asset Revaluation Reserve	-	-	-	-	-	-
Deferred Tax on above	-	-	-	-	-	-
Total comprehensive income for the period	-	4,368	-	-	-	4,368
Transactions with owners in their capacity as owners						
Distributions paid to consumer beneficiaries	-	(4,493)	-	-	-	(4,493)
As at 31 March 2017	35,989	5,684	-	-	-	41,673
As at 1 April 2015	35,989	3,947	-	-	-	39,936
Profit for the period	-	4,637	-	-	-	4,637
Other comprehensive income for the period	-	-	-	-	-	-
Total comprehensive income for the period	-	4,637	-	-	-	4,637
Transactions with owners in their capacity as owners						
Distributions paid to consumer beneficiaries	-	(2,775)	-	-	-	(2,775)
As at 31 March 2016	35,989	5,809	-	-	-	41,798

The full audited financial statements are available at Northpower's website: www.northpower.com.

SUMMARY CASH FLOW STATEMENT

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For the year ended 31 March 2017

	CONSOLIDATED		TRUST	
	2017 \$000s	2016 \$000s	2017 \$000s	2016 \$000s
Operating activities				
Receipts from customers	331,985	344,109	-	-
Interest received	211	129	92	86
Dividends received	2,451	-	5,000	3,000
Payments to suppliers	(170,038)	(177,083)	(517)	(323)
Payments to employees	(128,805)	(129,994)	-	-
Interest paid	(4,164)	(5,275)	-	-
Income tax paid	(2,752)	(2,563)	(274)	-
Net GST paid	1,262	-	-	-
Net cash flows from operating activities	30,150	29,323	4,301	2,763
Investing activities				
Proceeds from sale of property, plant and equipment	12,637	3,275	-	-
Purchase of investment property	-	(735)	-	-
Investment in associate	(8,301)	(6,957)	-	-
Purchase of intangible assets	(1,280)	(1,469)	-	-
Purchase of property, plant and equipment	(16,232)	(26,553)	-	-
Net cash flows used in investing activities	(13,176)	(32,439)	-	-
Financing activities				
Proceeds from borrowings	-	5,350	-	-
Repayment of borrowings	(10,900)	-	-	-
Payment of finance lease liabilities	(401)	(301)	-	-
Distributions to consumers	(4,447)	(2,775)	(4,447)	(2,800)
Net cash flows (used in)/from financing activities	(15,748)	2,274	(4,447)	(2,800)
Net increase in cash and cash equivalents	1,226	(842)	(146)	(37)
Net foreign exchange differences	(878)	490	-	-
Cash and cash equivalents at the beginning of the year	2,168	2,521	621	658
	2,516	2,168	475	621

The full audited financial statements are available at Northpower's website: www.northpower.com.

NOTES TO THE SUMMARY FINANCIAL STATEMENTS

For the year ended 31 March 2017

1. General information

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

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

Northpower Limited is formed under the Energy Companies Act 1992 and registered under the Companies Act 1993. The summary financial statements presented are for Northpower Electric Power Trust and the Group (or "the Group") as at, and for the year ended 31 March 2017. The Group consists of Northpower Electric Power Trust, Northpower Limited and its subsidiaries Northpower Solutions Limited, Northpower LFC2 Limited, West Coast Energy Pty Limited and Northpower Western Australia Pty Limited along with an associate Company Northpower Fibre Limited. The Northpower Electric Power Trust is the sole shareholder of the Company.

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

- West Coast Energy Pty Limited is based in Western Australia. It operates an electricity contracting business.
- Northpower Western Australia Pty Limited is based in Western Australia. It is an intermediate holding Company.
- Northpower Solutions Limited operates an electricity contracting business.
- Northpower LFC2 Limited has not traded for the year ended 31 March 2017 but has been established to operate a telecommunications fibre business.

Basis of preparation

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

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

These summary financial statements have been extracted from the full audited financial statements authorised for issue by the Trustees of the Trust on 19 July 2017. The Trust's auditors, BDO Northland, expressed an unmodified audit opinion on the 31 March 2017 full financial statements.

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

NOTES TO THE SUMMARY FINANCIAL STATEMENTS

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For the year ended 31 March 2017

2. Revenue

	CONSOLIDATED		TRUST	
	2017 \$000s	2016 \$000s	2017 \$000s	2016 \$000s
a) Revenue				
Gross line revenues	69,370	68,859	-	-
Discount	-	(4,204)	-	-
<hr/>				
Net line revenues	69,370	64,655	-	-
Line contributions	2,643	1,977	-	-
Contracting work income	217,994	194,679	-	-
Dividend income	-	625	5,000	5,000
Interest income	211	126	92	82
Income from farming	299	183	-	-
<hr/>				
	290,517	262,245	5,092	5,082
b) Other income				
Net gain on foreign exchange	213	176	-	-
Fair valuation gain on derivative instruments	1,416	-	-	-
Gain on sale of assets	2,499	191	-	-
Gain on revaluation of investment properties	-	13	-	-
Rent received	85	75	-	-
Sundry income	308	462	-	-
<hr/>				
	4,521	917	-	-

NOTES TO THE SUMMARY FINANCIAL STATEMENTS

For the year ended 31 March 2017

3. Discontinued operations

West Coast Energy

The Group has a number of contracts with Western Power Pty Limited (a key customer of the subsidiary West Coast Energy Pty Limited), including the Network Services Contract and the Inspection Services Contract. The Network Services Contract has an end date of 30 June 2018 and the Inspection Services Contract has an end date of 30 June 2017. The nature of these contracts is that volumes and pricing are agreed with Western Power each year. During the current financial year it became apparent that the Group was unable to make a sustainable profit from the Network Services Contract and as a result the Directors of Northpower Limited made a decision in December 2016 not to re-bid for volumes. Whilst the Group was able to generate profits from the Inspection Services Contract, the Directors of Northpower Limited made a decision not to re-bid for volumes under this contract also. The Group will continue to fulfil all contractual commitments, which are contracted volumes up until 30 June 2017, however following this decision the West Coast Energy business will then close. Closure of the business has resulted in several restructuring provisions and these are outlined in note 4 in these financial statements. There are also 'assets classified as held for sale'. Trade receivables, construction work in progress and trade payables are expected to be realised in the normal course of business.

The Group did decide to continue with the acoustic testing work (Foresight). This work will continue under Northpower Western Australia Pty Limited with the Company employing one person to manage this work.

The results of the discontinued operations included in the profit for the year are set out below. The comparative profit from discontinued operations has been re-presented to include those operations classified as discontinued in the current year.

Loss for the year from discontinued operations

	CONSOLIDATED		TRUST	
	2017 \$000s	2016 \$000s	2017 \$000s	2016 \$000s
Consolidated only				
Revenue	47,143	76,624	-	-
Expenses	(68,361)	(75,433)	-	-
(Loss)/profit before income tax	(21,218)	1,191	-	-
Income tax expense	-	-	-	-
(Loss)/profit for the year from discontinued operations (attributable to equity holders of the Trust)	(21,218)	1,191	-	-

Discontinued activities include an impairment of Property, Plant and Equipment of \$4,946k.

Cash flows from discontinued operations included in the Group cash flow statement are set out below

Net cash flows from operating activities	(6,310)	-	-	-
Net cash flows from investing activities	(281)	-	-	-
Net cash flows from financing activities	(401)	-	-	-
Net cash flows	(6,992)	-	-	-

NOTES TO THE SUMMARY FINANCIAL STATEMENTS

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For the year ended 31 March 2017

4. WCE closure provisions

Following the Board's decision to not rebid for volumes under the contracts held with Western Power Pty Limited, a provision has been made at 31 March 2017 for all expected restructuring costs. These costs are included in discontinued operations in the comprehensive income statement and a breakdown of the provision is provided below.

	CONSOLIDATED		TRUST	
	2017 \$000s	2016 \$000s	2017 \$000s	2016 \$000s
Redundancies and other employment costs	2,580	-	-	-
Onerous lease costs	3,381	-	-	-
Onerous contract costs	3,490	-	-	-
Operating lease costs	210	-	-	-
Claims and defects	328	-	-	-
Other closure costs	705	-	-	-
	10,694	-	-	-

5. Finance Leases

	2017 \$000s	2016 \$000s
Consolidated only		
Minimum lease payments payable		
Not later than one year	508	856
Later than one year & not later than five years	690	813
Later than five years	-	-
Total minimum lease payments	1,198	1,669
Future finance charges	(58)	(130)
Present value of minimum lease payments	1,140	1,539

The finance leases are disclosed as liabilities directly associated with assets held for sale at 31 March 2017.

The Group has entered into finance leases for motor vehicles and the net carrying amount of these assets at balance date is \$4.642 million (2016: \$5.831 million). The leases can be renewed at the Group's option, with rents set by reference to current market rates for items of equivalent age and condition. The Group has the option to purchase the asset at the end of the lease term. There are no restrictions placed on the Group by any of the finance leasing arrangements. These assets are disclosed as held for sale at 31 March 2017.

NOTES TO THE SUMMARY FINANCIAL STATEMENTS

For the year ended 31 March 2017

6. Guarantees and Contingencies

	CONSOLIDATED		TRUST	
	2017 \$000s	2016 \$000s	2017 \$000s	2016 \$000s
Performance bonds in relation to contract work	20,463	18,902	-	-
Letters of credit in relation to contract work	150	152	-	-
Guarantee for leased premises	1,052	1,054	-	-
	21,665	20,108	-	-

Performance bonds relate to guarantees given to customers to guarantee completion of contracting work both in New Zealand and Australia. Northpower has entered into an FRA with ANZ. This is a commitment to make one interest rate payment and receive another at a future date. Letters of Credit relate to guarantees given to off-shore customers for work completed. No liability was recognised in relation to the above guarantees as the fair value is considered immaterial.

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

The subsidiary Northpower Limited has committed to provide any necessary financial support to enable the subsidiary, Northpower Western Australia Pty Limited, to continue as a going concern. As part of this ongoing support, guarantees under the name of the subsidiary have been included in the Northpower Limited company disclosures above.

NOTES TO THE SUMMARY FINANCIAL STATEMENTS

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For the year ended 31 March 2017

7. Commitment

As lessee in operating leases

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

	CONSOLIDATED		TRUST	
	2017 \$000s	2016 \$000s	2017 \$000s	2016 \$000s
Within one year	8,160	5,688	-	-
After one year but not more than five years	25,126	17,040	-	-
More than five years	10,745	6,502	-	-
Total non-cancellable operating leases	44,031	29,230	-	-

As lessor in operating leases

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

Within one year	23	23	-	-
After one year but not more than five years	76	81	-	-
More than five years	-	14	-	-
Total non-cancellable operating leases	99	118	-	-

No contingent rents have been recognised during the period.

Capital commitments contracted for at balance sheet date	-	-	-	-
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Northpower is a party to certain options contracts which, when exercised, will require Northpower to purchase A shares in Northpower Fibre Limited from Crown Fibre Holdings. 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 the exercise price is equivalent to the market price on exercise date.

NOTES TO THE SUMMARY FINANCIAL STATEMENTS

For the year ended 31 March 2017

8. Related parties

a. Subsidiaries

i Terms and Conditions

Northpower Limited pays a dividend to the Trust.

ii Outstanding Balances

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

	TRUST	
	2017 \$000s	2016 \$000s
Transactions during the year		
Dividends income from Northpower Limited	5,000	5,000
Outstanding balances as at 31 March		
Receivable from Northpower Limited	5,058	5,104

b. Associates

	CONSOLIDATED	
	2017 \$000s	2016 \$000s
Transactions during the year		
Sales to associate	2,873	4,348
Purchases from associate	50	87
Dividend received from associate	1,826	625
Purchase of shares in associate	8,301	6,957
Other transactions	-	221
Outstanding balances as at 31 March		
Payable to associate	-	-
Receivable from associate	614	897

c. Directors

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

NOTES TO THE SUMMARY FINANCIAL STATEMENTS

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For the year ended 31 March 2017

d. Key Management

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	
	2017 \$000s	2016 \$000s	2017 \$000s	2016 \$000s
Short-term employee benefits	4,627	4,438	224	219
Termination benefits	490	-	-	-
	5,117	4,438	224	219

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.

Transactions between the company and key management personnel

Paul Yovich is a Trustee of Northpower Electric Power Trust. He is also a Trustee of a Shareholder of Busck Prestressed Concrete Limited. During the year Northpower made purchases from Busck Prestressed Concrete Limited of \$3,243,589 and had a balance outstanding at 31 March 2017 of \$29,260.

Tony Davies-Colley was a Trustee of Northpower until his retirement from this role in November 2016. He is also the Director of Blackdog Steelworks Ltd. During the year ended 31 March 2016 Northpower made sales to Blackdog Steelworks Ltd of \$2,345. His sister in law Nikki Davies-Colley is the Chairman of the Northpower Board.

Nikki Davies-Colley is the Chairman of the Northpower Board and a Director of Farmlands Trading Society Limited and Landcorp Farming Limited. During the year Northpower made purchases from Farmlands Trading to the value of \$21,012 (2016: \$27,523), and sales to Landcorp Farming of \$6,152 (2016: \$176) with a balance remaining at 31 March 2017 of \$6,133.

For the period from 1 January until 31 March, two Directors, Nikki Davies-Colley and Mark Trigg, undertook executive responsibilities and became Managing Director and Executive Director respectively. The purpose was to bolster the executive team through the transition period between the retirement of both the incumbent Chief Executive and the General Manager Networks and the commencement of a replacement CEO. That arrangement will continue until 31 July 2017, the starting date of the new Chief Executive. The total remuneration received as executives during that period was: Nikki Davies-Colley \$69,526 and Mark Trigg \$80,937.

Lloyd Richards and Richard Pearce are Board members of the Electricity Engineers Association and during the year Northpower made purchases from this organisation totalling \$36,494 (2016: \$76,406) and made sales of nil (2016: \$2,874).

Richard Booth was the commissioner of the Kaipara District Council for part of the year and Chairman of the Delta Produce Co-op Limited. During the year Kaipara District Council made purchases of \$22,933 (2016: \$45,640). Northpower made sales to Kaipara District Council of \$50,564 (2016: \$102,895) and had a balance outstanding at 31 March 2017 of \$10,642.

David Wright is a Director of WEL Networks Limited and David Wright Limited. During the year Northpower transacted purchases of \$1,185 (2016: \$10,583) with WEL Networks Limited and \$nil (2016: \$77,596) with David Wright Limited. Sales to WEL Networks of \$3,006,004 (2016: \$1,520,863) took place during the year with \$875,524 remaining outstanding as at 31 March 2017 (2016: \$1,947).

Mark Gatland was a Board member of the Energy Networks' Association until his retirement in January 2017. During the year Northpower made payments to this organisation of \$77,450 (2016: \$77,450).

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

The Trustees will carry out their responsibilities in accordance with the Trust Deed and the law and will specifically:

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

- 1.1. Seek a fair commercial return from the Trustees' investment in Northpower Limited while ensuring competitive pricing and quality service to consumers.
- 1.2. Seek to minimise the risk of the Trustees' investment in Northpower Limited.
- 1.3. Manage cash assets, including dividends received, in a way that maximises the benefit to Trust beneficiaries.

2. Northpower Limited

- 2.1. Exercise the rights and responsibilities of diligent shareholders in Northpower Limited for the benefit of the Trust Fund and with due regard to the objective of Northpower Limited to be a successful business. In doing so, take proper account of the growth of Northpower and the impact of the changing economy.
- 2.2. Monitor the performance of Directors.
- 2.3. Advertise publicly that Trustees seek prospective Directors for Northpower Limited in accordance with 9.1 of the Trust Deed and the Constitution of the Company.
- 2.4. Appoint Directors in accordance with the provisions of the Trust Deed and the Company's Constitution.
- 2.5. Agree on the Northpower Statement of Corporate Intent with the Directors of Northpower Limited and make the completed SCI available to the public.
- 2.6. Meet with the Board of Northpower Limited or its representatives at least four times a year to consider the performance of Northpower in relation to the Statement of Corporate Intent and other matters of ownership.
- 2.7. Attend the Annual Meeting of Northpower Limited and exercise the rights and responsibilities of shareholders at that meeting and at any other general meeting of the Company.

3. Income

- 3.1. Receive dividends from Northpower Limited.
- 3.2. Hold and invest dividends from Northpower Limited for at least six months before distribution to satisfy clause 5.3 of the Trust Deed.
- 3.3. Distribute substantially all remaining income received from Northpower Limited for the benefit of consumers as provided in the Trust Deed.

4. Chairperson

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

5. Deputy Chairperson

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

6. Secretary

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

7. Ownership review

Northpower Limited completes an ownership review every five years. This public consultation process is laid out in Schedule 2 of the Trust Deed, with the next Ownership Review to take place in 2022.

8. Security of electricity supply

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

9. ETNZ

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

10. Communication

The Trustees will inform consumers of Trust activities through the Trust Annual Meeting, news media and through newsletters as appropriate.

The Trustees will also maintain a free call telephone number 0800 434 100 and an email address - trustees@northpower.com - for the benefit of consumers who wish to contact the Trust.

11. Code of practice

The Trustees have developed and published a 'Code of Practice' that describes the way Trustees will provide accountability to, and access to information, for the Trust's beneficiaries.

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

Purpose of the Trust:

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

Operation of the Trust:

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

Beneficiaries:

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

Entitlement to Information:

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

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

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

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

Procedures for Requesting Information:

Beneficiaries may seek information from the Trust by:

- a. A telephone request through the Trust's free call telephone number 0800 434100.
- b. Writing to the Secretary of the Trust at P.O. Box 1609, Whangarei.

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

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

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

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

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

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

Annual Meeting:

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

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

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

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

Rights of Review of Acts and Decisions of Trustees:

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

Review of Code of Practice:

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





NORTHPOWER
ELECTRIC POWER TRUST



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Secretariat

Plus Chartered Accountants Ltd

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