WAIPA NETWORKS TRUST

CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2020

INDEX

WAIPA NETWORKS TRUST

DIRECTORY

ADDRESS:	Waipa Networks Trust P O Box 34 Te Awamutu	
TRUSTEES:	Mr C T Sanders	(Chairman)
	Mr A J Bateman	(Deputy Chairman)
	Mrs J M Bannon	(Trustee)
	Mrs B J Taranaki QSM	(Trustee)
	Mr D A McLean	(Trustee)
	Mr R A Reid	(Trustee)
SECRETARY/ TREASURER:	S J Davies PO Box 34 Te Awamutu	
BANKERS:	Westpac Alexandra Street Te Awamutu	
SOLICITORS:	Henry Brandt-Giesen KensingtonSwan Auckland	
ACCOUNTANTS:	gfa Chartered Accountants Ltd 242 Bank Street Te Awamutu	
AUDITORS:	Audit New Zealand	

WAIPA NETWORKS TRUST

COMPREHENSIVE INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2020

	Note	Group		Parent	
		2020	2019	2020	2019
		$	$	$	$
Revenue	2	36,835,388	36,920,892	-	-
Less Discounts		5,100,537	4,758,664	-	-
Net Revenue		31,734,851	32,162,228	-	-
Operating Expenses	3	24,693,314	24,280,627	206,797	220,800
Profit from Operations		7,041,537	7,881,601	(206,797)	(220,800)
Investment Income		3,883,603	3,303,690	172,538	184,751
Net Gain / (Loss) on Disposal of Assets		(1,949)	(33,180)	-	-
Profit / (Loss) before Interest and Tax		10,923,191	11,152,111	(34,259)	(36,049)
Finance Costs	19	2,492,961	2,538,821	-	-
Share of Net Profit / (Loss) of Associates		(557,123)	(919,350)	-	-
Profit / (Loss) before Tax		7,873,107	7,693,940	(34,259)	(36,049)
Less Tax Expense	4	2,131,458	2,484,832	-	-
Profit/(Loss) for the year		5,741,649	5,209,108	(34,259)	(36,049)
Other Comprehensive Income					
Items that will or may be reclassified to profit or loss:					
Change in Fair Value of Investment in Waipa Networks Ltd		-	-	4,775,908	5,245,697
Total Comprehensive Income		5,741,649	5,209,108	4,741,649	5,209,648

STATEMENT OF MOVEMENTS IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2020

	Note	Group		Parent	
		2020	2019	2020	2019
		$	$	$	$
Trust Capital		100	100	100	100
Retained Earnings		136,191,688	130,982,040	3,194,651	3,230,700
Revaluation Reserve		-	-	132,997,037	127,751,340
Equity as at 1 April		136,191,788	130,982,140	136,191,788	130,982,140
Profit / (Loss) for the Year		5,741,649	5,209,648	(34,259)	(36,049)
Other Comprehensive Income for the Year		-	-	4,775,908	5,245,697
Total comprehensive Income for the Year		5,741,649	5,209,648	4,741,649	5,209,648
Trust Capital	6	100	100	100	100
Retained Earnings	7	141,933,337	136,191,688	3,160,392	3,194,651
Revaluation Reserve		-	-	137,772,945	132,997,037
Equity as at 31 March		141,933,437	136,191,788	140,933,437	136,191,788

The accompanying notes form part of these financial statements.

WAIPA NETWORKS TRUST

BALANCE SHEET

FOR THE YEAR ENDED 31 MARCH 2020

	Note	Group		Parent	
		2020	2019	2020	2019
		$	$	$	$
ASSETS					
Property, Plant and Equipment	15	133,022,209	126,037,454	430	777
Intangible Assets	16	4,579,496	4,538,040	-	-
Prepayments		284,677	294,382	-	-
Investments in Associates	17	5,879,227	6,436,350	-	-
Loans to Associates	17	90,809,949	81,170,089	-	-
Investment in Waipa Networks Ltd		-	-	137,772,945	132,997,037
Loan to Waipa Networks Ltd		-	-	3,147,922	3,125,420
TOTAL NON CURRENT ASSETS		234,575,558	218,476,315	140,921,297	136,123,234
Cash and Cash equivalents	8	103,018	105,020	29,132	91,130
Trade and other receivables	10	4,807,886	3,783,293	-	-
Income tax receivable		141,091	-	-	-
Inventories	11	1,529,583	1,415,304	-	-
TOTAL CURRENT ASSETS		6,581,578	5,303,617	29,132	91,130
TOTAL ASSETS		241,157,136	223,779,932	140,950,429	136,214,364
EQUITY					
Trust Capital	6	100	100	100	100
Retained earnings	7	141,933,337	136,191,688	3,160,392	3,194,651
Revaluation Reserve		-	-	137,772,945	132,997,037
TOTAL EQUITY		141,933,437	136,191,788	140,933,437	136,191,788
LIABILITIES					
Employee Entitlements	14	217,182	213,826	-	-
Capital Contributions in Advance	13	3,866,299	3,490,962	-	-
Derivative Financial Instruments	21	470,303	451,493	-	-
Deferred Taxation	5	22,254,754	22,359,036	-	-
TOTAL NON CURRENT LIABILITIES		26,808,538	26,515,317	-	-
Trade and Other Payables	12	5,129,653	2,261,217	16,992	22,576
Capital Contributions in advance	13	4,857,704	1,326,669		
Borrowings	9	61,240,000	56,460,000	-	-
Derivative Financial Instruments	21	673,936	486,552	-	-
Employee Entitlements	14	513,868	525,943	-	-
Income Tax Payable		-	12,446	-	-
TOTAL CURRENT LIABILITIES		72,415,161	61,072,827	16,992	22,576
TOTAL LIABILITIES		99,223,699	87,588,144	16,992	22,576
TOTAL EQUITY AND LIABILITIES		241,157,136	223,779,932	140,950,429	136,214,364

For and on behalf of the Board

C T Sanders, Trustee

A J Bateman, Trustee

Date

Date

The accompanying notes form part of these financial statements

WAIPA NETWORKS TRUST

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2020

	Note	Group		Parent	
		2020	2019	2020	2019
		$	$	$	$
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		27,902,796	28,547,987	-	-
Payments to suppliers and employees		(16,787,731)	(19,261,817)	(212,035)	(220,442)
Net GST		(364,521)	18,866	-	-
Cash generated from operations		10,750,545	9,305,036	(212,035)	(220,442)
Interest Received		5,828	2,037	172,538	184,751
Interest paid		(2,254,483)	(2,148,177)	-	-
Taxes Paid		(2,389,278)	(2,317,999)	-	-
Net Cash Flows from Operating Activities	**20**	6,112,612	4,840,897	(39,497)	(35,691)
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sale of Property, Plant and Equipment		70,853	90,295	-	-
Loan to Waipa Networks Ltd		-	-	(22,502)	(32,931)
Capital contributions		6,370,835	3,223,658	-	-
Purchase of Property, Plant and Equipment		(11,483,544)	(5,670,608)	-	-
Purchase of intangible assets		(68,171)	(108,532)	-	-
Purchase of investments		(5,762,085)	(7,137,041)	-	-
Net cash flows from investing activities		(10,872,112)	(9,602,228)	(22,502)	(32,931)
CASH FLOW FROM FINANCING ACTIVITIES					
Increase/(decrease) in borrowings		4,757,498	4,597,069	-	-
Net cash flows from financing activities		4,757,498	4,597,069	-	-
Net increase (decrease) in cash held		(2,003)	(164,262)	(61,999)	(68,622)
Cash & cash equivalents at 1 April		105,020	269,282	91,130	159,752
Cash & cash equivalents at 31 March		103,018	105,020	29,132	91,130
CASH BALANCES IN THE BALANCE SHEET		103,018	105,020	29,132	91,130

The accompanying notes form part of these financial statements

WAIPA NETWORKS TRUST
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

1 STATEMENT OF ACCOUNTING POLICIES

Reporting Entity

Waipa Networks Trust (the Trust) is a trust established in terms of a trust deed dated 1 May 1993. It is also referred to as the parent.
The group consists of Waipa Networks Trust and its wholly owned subsidiary, Waipa Networks Limited.
The Trust and Group financial statements have been prepared in accordance with the Trust deed and section 46A of the Energy Companies Act 1992.

Statement of Compliance

The Financial Statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). The Financial Statements comply with the New Zealand Equivalent to International Financial Reporting Standards (NZ IFRS), as appropriate for profit-oriented entities.

Basis of Preparation

The functional and reporting currency used in preparation of the Financial Statements is New Zealand dollars. They are prepared on a historical cost basis.

These Financial Statements have been prepared in accordance with NZ IFRS that are effective or available.
These general purpose financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 2013 and the Companies Act 1993.

Covid-19 Impacts

On 11 March 2020, the World Health Organisation declared the outbreak of Covid-19 a pandemic and two weeks later the New Zealand Government declared a State of National Emergency. From this, the country was in lockdown at Alert Level 4 for the period 26 March to 27 April and remained in lockdown at Alert Level 3 until 13 May inclusive.

During Alert Levels 4 and 3, staff worked remotely and our services were limited to essential services, including electricity distribution and emergency response. We suspended our routine maintenance programme, and our capital works. After 13 May 2020, we resumed all our operations.

There was no significant impact on supply under Levels 3 and 4. In respect of SAIFI, the number of interruptions was consistent with the rest of the financial year. Although our staff were working remotely, this did not affect our response times to emergency repairs. This meant that there was also no significant impact on our SAIDI results.

The maintenance and capital works programmes are now some weeks behind the planned schedule of works. We expect to catch this up over the coming months and this is not expected to impact negatively on reliability of supply.

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

The directors have now been able to measure the impact on the April and May 2020 results:
- Total network line services revenue was not materially affected, although there was a shift towards higher residential revenue and lower commercial revenue.
- Other income was minimal due to lack of network expansion.
- Expenditure remained as expected.

In the current environment it is challenging to predict the potential future effects. The Directors believe that any potential negative effects would likely be limited, unless there is a sustained economic downturn, which has been predicted by some economic commentators. In that event, Directors believe the effect on the key elements in the financial statements would be:

1) Network Line revenue. Waipa Networks has a mix of customers that provides diversity however, line services income is 84% variable based on consumption. Directors consider that even in a sustained downturn it is highly unlikely consumption would be down more than 5%.

2) Contracting Sales revenue. The company has a diverse mix of customers for its contracting services and it is unlikely this will be affected in the 2020/21 financial year. Any negative effect on future income is possible but considered unlikely.

1 STATEMENT OF ACCOUNTING POLICIES (Cont)

3) Capital contributions revenue is a function of Network Expansion. A sustained economic downturn would likely impact capital contributions by as much as 50% over the next two years.

4) Operating expenses are unlikely to change significantly. Significant costs such as transmission costs and employee benefits are both unlikely to be materially affected. Bad debts have not been material to the company in prior years; there is potential for a slight increase.

5)

The carrying value of most assets and liabilities would likely be unchanged because the company accounts for these items at historical cost. The Government enacted changes to the tax legislation reinstating the ability to make tax deductions for building depreciation. This change has been factored into the deferred tax balances as disclosed in Note 7 to the financial statements. Trade receivables are accounted at net realisable value, the Directors believe that there will be minimal impact. The statement of accounting policies (g) Impairment explains the impact on the carrying value of network assets at 31 March 2020 and the uncertainties in these values caused by Covid-19. It was concluded that there was no impairment to the network assets after completing the fair value assessment.

6) Due to the pending sale of UFF Holdings Limited as noted in Note 26, Events subsequent to balance date, the directors consider the associate loan and investment in associate to be recoverable.

Critical Accounting Estimates and Adjustments

The preparation of Financial Statements in conformity with NZ IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(i) Revenue recognition for line revenue
The company invoices its customers monthly for the network services on the basis of usage advised by retailers, including estimated amounts for accrued sales from meters unread as at end of month.

Management has made an allowance in revenue and in trade receivables for any amounts which are estimated to be under or over charged as at balance date. These adjustment amounts are not significant compared to total line revenue.

(ii) Useful lives of property, plant and equipment
The Company reviews the estimated useful lives of property, plant and equipment at each balance sheet date. In this financial year it was deemed that no change to the estimated useful lives was needed. The carrying value of property, plant and equipment is disclosed in note 14 Property, Plant and Equipment.

(iii) Held for sale and discontinued operations

During the year ended 31 March 2020, a decision was made to pursue the sale of shares in UFF Holdings Limited (UFFH). At balance date, the Board of Directors considered whether UFFH met the criteria to be classified as an asset held for sale and discontinued operation in the financial statements for the year ended 31 March 2020. The Board of Directors determined the highly probable criteria had not been satisfied at this time due to shareholder approval being dependant on the outcome of the final bids received, impact assessments completed and further deliberation by the shareholder and uncertainty created around Level 4 lockdown due to Covid-19. Final bids were not due until subsequent to balance date.

Changes in Accounting Policies

New and amended standards and interpretations.
There has been a new standard issued under NZ IFRS 16 Leases, this does not impact the entity as it does not have any leases. There have been no changes in accounting policies. The accounting polices set out below have been applied consistently to all periods presented in these Financial Statements.

1 STATEMENT OF ACCOUNTING POLICIES (Cont)

a) Consolidation

Where the Trust has control over an investee, it is classified as a subsidiary. The Trust controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

The consolidated financial statements present the results of the Trust and its subsidiaries ("the Group") as if they formed a single entity. Inter-entity transactions and balances between group entities are therefore eliminated in full.

Associates are entities in which the Trust has significant influence but not control over the operating and financial policies. Investments in associates are accounted for using the equity method. The investment is initially recognised at cost and adjusted thereafter by the trusts share of the net profit regognised in the income statement. The associate has an accounting policy to revalue the property plant and equipment (specifically it's fibre network assets) which differs from Waipa Networks policy, as their assets are a different class to Waipa's, no adjustment is made as a result of the difference between the accounting policies of the Trust and the associate. The Trust's share of any other gains and losses of associates charged directly to equity is recognised in other comprehensive income. Dividends received from associates are credited to the carrying amount of the investment in associates in the financial statements.

Loans to associates are recorded at original investment plus any capitalised interest.

b) Property, Plant and Equipment

Items of property plant and equipment are stated at cost less accumulated depreciation and impairment losses.

The cost of purchased property plant and equipment is 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 use.

The cost of the assets constructed by Waipa Networks, including capital works in progress, includes the cost of all materials used in construction, direct labour and other directly attributable costs, which have been incurred to bring the assets to the location and condition necessary for their intended use. Borrowing costs are capitalised in respect of qualifying assets which take three months or more to construct.

Certain items of property plant and equipment that had been revalued to fair value on or prior to 1 April 2006, the date of transition to NZIFRS, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Where parts of an item of property plant and equipment have different useful lives, they are accounted for as separate items of property plant and equipment.

Subsequent expenditure incurred to replace a component of an item of property plant and equipment, that extends the estimated life of the asset, is capitalised. All other expenditure is recognised in the statement of comprehensive income as an expense as incurred.

Leased Assets

Waipa Networks Limited has no leased assets therefore IFRS 16 Leases has no implications for the company.

Depreciation

Depreciation is charged to the statement of comprehensive income on a straight-line basis so as to allocate the cost of the assets

The range of annual depreciation rates for each classification of property plant and equipment is as follows;

Buildings	1% to 3%
Buildings fitout	2% to 10%
Reticulation System	1% to 2.5%
Other Electrical	1% to 2.5%
Motor Vehicles	10% to 20%
Computer Equipment	20%
Plant, Furniture and Fittings	10% to 50%

Asset residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

1 STATEMENT OF ACCOUNTING POLICIES (Cont)

c) Intangible Assets

Goodwill on acquisitions of businesses is included in 'intangible assets'. Goodwill is carried at cost less accumulated impairment losses. At balance date, the company assesses whether there is any indication that goodwill may be impaired. If any such indication exists, the company estimates the recoverable amount of the asset. Impairment losses on goodwill are not reversed. Goodwill is allocated to cash-generating units (CGUs) for the purpose of impairment testing. The allocation is made to those CGUs units that are expected to benefit from the synergies of the business combination.
Computer software assets are stated at cost less accumulated amortisation and impairment losses. Amortisation is charged to the statement of comprehensive income on a straight-line basis so as to allocate the cost of the assets over the estimated useful lives.

The useful lives and associated amortisation rates have been estimated as follows;

Computer Software	5 years	20%

Acquired easement rights are capitalised on the basis of the direct costs incurred including injurious affection payments. Easements are deemed to have an indefinite useful life, as the contracts do not have a maturity date and the Company expects to use the easements indefinitely. Therefore, easements are not amortised.

Their value is assessed annually for impairment, and their carrying value is written down if found impaired.

Where the rights have an expiration date, amortisation is charged to the statement of comprehensive income on a straight-line basis so as to allocate the cost of the assets over the useful life.

d) Inventories

Inventories are stated at the lower of weighted average cost and net realisable value.

Cost of work in progress and finished goods includes the cost of direct materials, direct labour and a proportion of the manufacturing overhead expended in putting the inventories in their present location and condition.

e) Trade and other receivables

Accounts receivables are stated at their expected realisable value after providing for doubtful debts. Bad debts are written off in the period they are identified.

f) Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances and deposits with maturities of one year or less. Bank overdrafts that are repayable on demand and form an integral part of the company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

g) Financial Instruments

Financial assets and financial liabilities are recognised on the Balance Sheet when the entity becomes a party to the contractual provisions of the instrument. Interest rate swaps are used to reduce the Company's exposure to interest rate risk on financing transactions.
The fair value of various derivative instruments used for hedging purposes are disclosed in note 22.
The derivatives are subsequently measured at their fair value at each balance date with the resulting gain or loss recognised in the comprehensive income. The Company has elected not to apply hedge accounting.

Fair value of the derivative instruments is the cash flows attributable to the hedged risk.
The portion of the fair value of an interest rate derivative that is expected to be realised within 12 months of the balance date is classified as current, with the remaining portion of the derivative classified as non-current.

h) Impairment

The carrying amounts of the Group's assets other than deferred tax assets (see accounting policy l) and inventories (see accounting policy d) are reviewed at each balance date to determine whether there is any indication of impairment. An impairment test was performed over the network assets as at 31 March. The key inputs used for the impairment test were the 10 year asset management plan, and the 10 year revenue and expenditure forecast applying a discount rate of 5%. The increased uncertainty due to Covid-19 was all taken into consideration when completing the impairment testing. If any such indication exists, the asset's recoverable amount is estimated.
An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income.

The recoverable amount of assets is the greater of the net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

WAIPA NETWORKS TRUST
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

1 STATEMENT OF ACCOUNTING POLICIES (Cont)

i) Impairment of Financial Assets

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through comprehensive income. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables the Company applies a simplified approach in calculating ECLs. Therefore, the company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

In terms of the Loans to Associates the Company believe that the possibility of non-performance by the associate is remote on the basis of financial projections.

j) Revenue

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied. The entity recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Entity's activities, as described below.

Network Line Services

The entity invoices its customers (predominately electricity retailers) monthly for electricity delivery services across the region’s lines network. The Entity's obligation is to provide a single performance obligation of continuous service to which the customer benefits incrementally over time as the service is delivered. Revenue comprises the amounts received and receivable at balance date for network services supplied to customers in the ordinary course of business, including estimated amounts for accrued sales from meters unread as at balance sheet date.

Contracting Sales

Contracting sales are recognised in the statement of comprehensive income when the significant risks and rewards of ownership have been transferred to the buyer by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided. The entity provides a 3 year warranty on materials and labour for electrical works constructed. They serve as an assurance that the products sold comply with agreed-upon specifications. No provision for the warranty has been provided as the claims made are not material.

Rental Income

Rental Income is recognised in the statement of comprehensive income on a monthly basis.

Capital Contributions

Contributions received from Local Authorities towards the cost of additions or modifications to the Reticulation Assets are invoiced when received and recognised in the balance sheet initially as deferred income. When there is reasonable assurance that it will be received and the Entity will comply with the conditions attached to it, the revenue is recognised in the statement of comprehensive income as operating income on a straight-line basis over 40 years.

Other contributions towards the cost of additions or modifications to the Reticulation Assets are invoiced when received and recognised in the balance sheet initially as deferred income. The revenue is recognised in the statement of comprehensive income as operating income when the works have been completed.

Asset title and obligation to maintain resides with the Entity and the asset is capitalised as part of the electricity reticulation asset.

Interest Income

Interest income is recognised in the statement of comprehensive income as it accrues.

WAIPA NETWORKS TRUST
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

1 STATEMENT OF ACCOUNTING POLICIES (Cont)

k) Employee Entitlements

Obligations for contributions to defined contribution pension plans are recognised as an expense in the statement of comprehensive income as incurred.

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, sick leave and gratuities when it is probable that settlement will be required and they are capable of being measured reliably.
Provisions made in respect of employee benefits expected to be settled within 12 months are measured as the amount unpaid at balance sheet date at current pay rates in respect of the employees' service up to that date.

Provisions made in respect of employee benefits not expected to be settled within 12 months are measured as the amount of future benefit that employees have earned in return for their service in the current and prior periods up to the balance sheet date. The obligation is calculated using the projected unit credit method and is discounted to its present value.

l) Taxation

The income tax on the profit or loss for the year includes both current and deferred tax. The income tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly to equity, in which case the income tax is recognised in equity.

Current tax is the expected tax payable on the taxable income for the period using tax rates enacted or substantively enacted at the Balance Sheet date together with any adjustment to tax payable in respect of previous years.

Deferred tax is calculated using the Balance Sheet liability method providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the Balance Sheet date.
A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

m) Trade and other payables

Trade payables and other accounts payable are recognised when the company becomes obligated to make future payments resulting from the purchase of goods and services.

n) Goods and Service Tax

The Statement of Comprehensive Income and Statement of Cash Flows have been prepared so that all components are stated exclusive of GST. All items in the Balance Sheet are stated exclusive of GST with the exception of receivables and payables which include GST invoiced.

o) Capital and Reserves

Trust Capital
Trust capital is classified as equity. Refer note 6
Retained Earnings
Retained earnings include all current and prior year retained profits or losses. Refer note 7.

p) Loans to Associates

Loans to associates are recorded at original investment plus any capitalised interest. Refer note 17.
Loans are considered for impairment each year. Refer accounting policy h and i.

q) Investment in Associates

Associates are entities in which the Trust has significant influence but not control over the operating and financial policies. Investments in associates are accounted for using the equity method. The investment is initially recognised at cost and adjusted thereafter by the company's share of the net profit, recognised in the income statement. The associate has a accounting policy to revalue the property plant and equipment (specifically its fibre network assets) which differs from Waipa Networks policy, as their assets are a different class to Waipa's; no adjustment is made as a result of the difference between the accounting policies of the company and the associate. The Trust's share of any other gains and losses of associates charged directly to equity is recognised in other comprehensive income. Dividends received from associates are credited to the carrying amount of the investment in associates in the financial statements.

WAIPA NETWORKS TRUST
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

2 REVENUE

		Group		Parent	
		2020	**2019**	**2020**	**2019**
		$	**$**	**$**	**$**
Network line services		31,278,615	30,837,199	-	-
Contracting sales		2,329,783	2,792,714	-	-
Capital contributions		2,464,463	2,765,281	-	-
Embedded Network		62,759	-	-	-
Sundry income		158,159	149,392	-	-
Loss rental rebates		541,609	376,306	-	-
Total Revenue		36,835,388	36,920,892	-	-
Assumptions disclosed in Statement of accounting policies (j)					
Revenue recognised over time					
Network line services		31,278,615	30,837,199	-	-
Contracting sales		416,306	1,131,714	-	-
Capital contributions		122,449	109,685	-	-
Embedded Network		62,759	-	-	-
Sundry income		94,123	89,509	-	-
Loss rental rebates		541,609	376,306	-	-
Total Revenue recognised over time		32,515,861	32,544,413	-	-
Revenue recognised at a point in time					
Contracting sales		1,913,477	1,661,000	-	-
Capital contributions		2,342,014	2,655,596	-	-
Sundry income		64,036	59,883	-	-
Total Revenue recognised at a point in time		4,319,527	4,376,479	-	-
Total Revenue		36,835,388	36,920,892	-	-

Revenue of $993,805 (2019 $856,197) was included in Capital Contributions in advance at the end of the previous financial year.

3 OPERATING EXPENSES

Audit fees for these financial statements		71,250	67,147	3,174	3,025
Audit fees for prior year		14,000	-	-	-
Audit fees for disclosure financial statements		30,000	30,000	-	-
Trustees Fees		96,248	90,566	96,248	90,566
Depreciation		-	-	-	-
Buildings		28,297	28,296	-	-
Buildings fitout		237,458	236,621	-	-
Reticulation Assets		3,470,449	3,555,007	-	-
Other Electrical Assets		93,233	78,647	-	-
Motor Vehicles		409,456	453,829	-	-
Plant, Furniture and Fittings		187,094	161,584	346	753
Amortisation of intangible assets		26,715	19,777	-	-
Transmission charges		8,615,343	8,785,245	-	-
Employee benefits					
Superannuation - defined contribution plans	18	158,475	137,856	-	-
Other Employee benefits	18	5,802,382	5,438,970	29,580	28,722
Directors' fees		256,067	221,605	-	-
Materials and Contractors		1,347,280	2,313,540	-	-
Inventories		1,026,503	-	-	-
Bad debts		57,640	55,787	-	-
Change in Provision for Doubtful Debts		-	15,000	-	-
Other expenses		2,765,424	2,591,150	77,449	97,734
Total Expenses		24,693,314	24,280,627	206,797	220,800

WAIPA NETWORKS TRUST
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FOR THE YEAR ENDED 31 MARCH 2020

	Group 2020 $	Group 2019 $	Parent 2020 $	Parent 2019 $
4 TAX				
Profit/(Loss) Before Tax	7,873,107	7,694,480	(34,259)	(36,049)
Tax Payable	2,214,062	2,164,548	-	-
Tax effect of non assessable revenue	(137,684)	(473,058)	-	-
Tax effect of expenses that are non deductible	55,080	730,680	-	-
Tax Expense	2,131,458	2,422,170	-	-
Under / (over) provision previous year	-	62,662	-	-
Adjustments Previous Years	-	-	-	-
Total Tax Expense	2,131,458	2,484,832	-	-
The Tax charge comprises:				
-current tax	2,235,741	1,977,712	-	-
-prior period adjustments to current tax	-	62,662	-	-
-deferred tax on temporary differences	(104,283)	444,458	-	-
Total Tax Expense	2,131,458	2,484,832	-	-

All temporary differences have been recorded in the financial statements

Imputation credit memorandum account.

	Group 2020 $	Group 2019 $	Parent 2020 $	Parent 2019 $
Balance at the 1 April	21,246,393	18,928,394	-	-
Taxes received	-	-	-	-
Dividends Allocated	-	-	-	-
Tax paid	2,248,187	2,317,999	-	-
Balance at 31 March	23,494,580	21,246,393		

	Group 2020 $	Group 2019 $	Parent 2020 $	Parent 2019 $
5 DEFERRED TAX				
Balance at 1 April	22,359,036	21,914,577	-	-
Deferred portion of current year tax expense	(104,282)	444,459	-	-
Balance at end of year	22,254,754	22,359,036	-	-

The tax rate used in the above reconciliation is the corporate tax rate of 28% (2019:28%) payable by corporate entities on taxable profits under New Zealand tax law.

The Deferred Taxation liability comprises of ;

	Group 2020 $	Group 2019 $	Parent 2020 $	Parent 2019 $
Tax Effect on Timing differences	(412,446)	361,714	-	-
Tax effect on the Reticulation Assets being the difference between IRD Cost and IRD current Value.	14,811,501	13,702,828	-	-
Tax effect of the difference between the carrying amount of the Reticulation Assets and the IRD Cost of the Reticulation Assets.	7,855,699	8,037,272	-	-
Tax effect of the carrying amount of the Building partly constructed as at 20 May 2010 as building depreciation is non deductible for tax	-	257,222	-	-
	22,254,754	22,359,036	-	-

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	Group		Parent	
5 DEFERRED TAX (cont)	**2020**	**2019**	**2020**	**2019**
	$	**$**	**$**	**$**
Deferred tax Property, plant and equipment				
Balance at 1 April	22,376,893	22,058,511	-	-
Charged to statement of comprehensive income	577,929	318,382	-	-
Charged to equity	-	-	-	-
Balance at 31 March	22,954,822	22,376,893	-	-
Deferred tax employee entitlements				
Balance at 1 April	(175,504)	(159,837)	-	-
Charged to statement of comprehensive income	16,817	(15,667)	-	-
Charged to equity	-	-	-	-
Balance at 31 March	(158,687)	(175,504)	-	-
Deferred tax other				
Balance at 1 April	157,647	15,903	-	-
Charged to statement of comprehensive income	(699,028)	141,744	-	-
Charged to equity	-	-	-	-
Balance at 31 March	(541,381)	157,647	-	-
Deferred tax total				
Balance at 1 April	22,359,036	21,914,577	-	-
Charged to statement of comprehensive income	(104,282)	444,459	-	-
Charged to equity	-	-	-	-
Balance at 31 March	22,254,754	22,359,036	-	-

6 TRUST CAPITAL

	Group 2020	Group 2019	Parent 2020	Parent 2019
Balance at beginning of year	100	100	100	100
Balance at end of year	100	100	100	100

7 RETAINED EARNINGS

	Group 2020	Group 2019	Parent 2020	Parent 2019
Balance at beginning of year	136,191,688	130,982,040	3,194,752	3,230,801
Net Surplus after Taxation	5,741,649	5,209,648	(34,259)	(36,049)
Balance at end of year	141,933,337	136,191,688	3,160,493	3,194,752

8 CASH AND CASH EQUIVALENTS

	Group 2020	Group 2019	Parent 2020	Parent 2019
Current Account	103,018	105,020	29,132	91,130
Short Term Investments	-	-	-	-
	103,018	105,020	29,132	91,130

The carrying amount for cash and cash equivalents equals the fair value.

	Group 2020 $	Group 2019 $	Parent 2020 $	Parent 2019 $
9 BORROWINGS				
Debt Facility	61,240,000	56,460,000	-	-
	61,240,000	56,460,000	-	-

The debt facility relates to a multi-option credit facility totalling $65 million (2019 $60 million). A facility fee rate is charged and the drawn balance is charged interest at a variable interest rate. The facilities expire as follows:

Facility expiry date	Total Facility	Total Facility
31 July 2021	25,000,000	25,000,000
31 May 2022	10,000,000	5,000,000
31 August 2022	30,000,000	30,000,000
25 June 2019		-
	65,000,000	60,000,000

The Group is required to ensure that the following financial covenant ratios for unsecured debt facilities are achieved during the financial year:
- interest cover ratio (earnings to fund costs) will be greater than or equal to 3.0 to 1 at all times
- total leverage ratio (total permitted indebtedness to EBITDA) will be less than 4.0 to 1 at all times

The unsecured debt facilities become repayable on demand in the event those covenants are breached or if the company fails to make interest and principal payments when they fall due. The company has complied with all convenants and borrowing repayment obligations during the financial year.

The amounts disclosed above are the undiscounted contracted cash flows.
The carrying amount for borrowings equals the fair value

	Group 2020 $	Group 2019 $	Parent 2020 $	Parent 2019 $
10 TRADE AND OTHER RECEIVABLES				
Trade receivables	4,855,307	3,825,191	-	-
Trade debtors from Related Parties	2,578	2,578	-	-
Provision for Doubtful Debts	(110,000)	(110,000)	-	-
	4,747,885	3,717,769	-	-
Accrued Income	-	-	-	-
Prepayments	60,001	65,524	-	-
	4,807,886	3,783,293	-	-

Trade and other receivables are non-interest bearing and are normally settled on 30 day terms, therefore the carrying value of trade and other receivables approximate their fair value. A provision has been made for estimated irrecoverable amounts from the sale of goods and services determined by reference to past default experience and the current economic climate. No allowance for expected credit losses for current to 60 days trade receivables has been applied. The percentage of ECL allowances to trade debtors for 61-90 days is 23% (2019 26%) and for over 90 days is 24% (2019 32%).

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	Group		Parent	
	2020	2019	2020	2019
	$	$	$	$

10 TRADE AND OTHER RECEIVABLES (Cont)

As at 31 March 2020 the ageing analysis of trade receivables is as follows:

	2020		2019	
	Gross	Impairment	Gross	Impairment
0 - 30 days	4,296,681	-	3,459,212	-
31 - 60 days	88,151	-	28,238	-
61 - 90 days	69,318	15,711	70,403	20,708
91 days plus	401,157	94,289	267,338	89,292
	4,855,307	110,000	3,825,191	110,000

	Group 2020	Group 2019	Parent 2020	Parent 2019
Movements in the provision for doubtful debts:				
Balance as at 1 April	110,000	95,000	-	-
Additional provisions made during the year	-	15,000	-	-
Reversal of provision during the year	-	-	-	-
Balance as at 31 March	110,000	110,000	-	-

11 INVENTORIES

	Group 2020	Group 2019	Parent 2020	Parent 2019
Stock	1,464,663	1,388,350	-	-
Work in Progress	64,920	26,954	-	-
	1,529,583	1,415,304	-	-

12 TRADE AND OTHER PAYABLES

	Group 2020	Group 2019	Parent 2020	Parent 2019
Accounts payable and accruals-trade	5,129,653	2,259,269	16,992	22,576
Payables to directors	-	1,948	-	-
	5,129,653	2,261,217	16,992	22,576

Accounts payable and accruals - trade, are non-interest bearing and are normally settled on 30 day terms, therefore the carrying value of trade and other payables approximate their fair value.

13 CAPITAL CONTRIBUTIONS IN ADVANCE

Capital Contributions from Local Authorities

	Group 2020	Group 2019	Parent 2020	Parent 2019
Balance as at 1 April	3,600,647	3,360,720	-	-
Less Recognised as revenue in the current year	122,449	109,685	-	-
Balance remaining from 1 April	3,478,198	3,251,035	-	-
Contributions received in the current year	510,550	649,612	-	-
Balance as at 31 March	3,988,748	3,900,647	-	-
Current Capital Contributions in advance	122,449	109,685	-	-
Non current Capital Contributions in advance	3,866,299	3,490,962	-	-
Total Capital Contributions in advance	3,988,748	3,600,647	-	-

The revenue is recognised in the statement of comprehensive income as operating income on a straight-line basis over 40 years.

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FOR THE YEAR ENDED 31 MARCH 2020

	Group		Parent	
	2020	**2019**	**2020**	**2019**
	$	**$**	**$**	**$**
13 CAPITAL CONTRIBUTIONS IN ADVANCE (cont)				
Capital Contributions from other customers				
Balance as at 1 April	1,216,984	998,534	-	-
Less Recognised as revenue in the current year	871,356	746,512	-	-
Balance remaining from 1 April	345,628	252,022	-	-
Contributions received in the current year	4,389,628	964,962	-	-
Current Capital Contributions in advance as at 31 March	4,735,256	1,216,984	-	-

Management expects that 95% of the capital contributions relating to the unsatisfied contracts as at 31 March 2020 will be recognised as revenue in the next 12 months.

	Group 2020 $	Group 2019 $	Parent 2020 $	Parent 2019 $
Total Capital Contributions in advance				
Current Capital Contributions in advance	4,857,705	1,326,669	-	-
Non current Capital Contributions in advance	3,866,299	3,490,962	-	-
Total Capital Contributions in advance	8,724,004	4,817,631	-	-
14 EMPLOYEE ENTITLEMENTS				
Current employee entitlements	513,868	525,943	-	-
Non current employee entitlements	217,182	213,826	-	-
Total employee entitlements	731,050	739,769	-	-
15 PROPERTY, PLANT & EQUIPMENT				
Freehold Land				
Cost to 1 April	1,252,334	1,252,334	-	-
Current year additions	-	-	-	-
Current year disposals	-	-	-	-
Cost to 31 March	1,252,334	1,252,334	-	-
Freehold Buildings				
Cost to 1 April	2,804,238	2,804,238	-	-
Accumulated Depreciation to 1 April	242,676	214,380	-	-
Net Book Value 1 April	2,561,562	2,589,858	-	-
Current year additions	-	-	-	-
Current year disposals	-	-	-	-
Current year depreciation	28,297	28,298	-	-
Cost to 31 March	2,804,237	2,804,238	-	-
Accumulated Depreciation to 31 March	270,972	242,676	-	-
Net Book Value	2,533,265	2,561,562	-	-

	Group		Parent	
	2020	**2019**	**2020**	**2019**
	$	**$**	**$**	**$**
15 PROPERTY, PLANT & EQUIPMENT (Cont)				
Building Fitout				
Cost to 1 April	3,177,452	3,170,617	-	-
Accumulated Depreciation to 1 April	1,965,490	1,730,362	-	-
Net Book Value 1 April	1,211,962	1,440,255	-	-
Current year additions	52,369	9,592	-	-
Current year disposals	-	1,264	-	-
Current year depreciation	237,458	236,621	-	-
Cost to 31 March	3,229,822	3,177,452	-	-
Accumulated Depreciation to 31 March	2,202,949	1,965,490	-	-
Net Book Value	1,026,873	1,211,962	-	-
Reticulation Assets				
Cost to 1 April	152,515,055	147,705,679	-	-
Accumulated Depreciation to 1 April	36,189,176	32,703,583	-	-
Net Book Value 1 April	116,325,879	115,002,096	-	-
Current year additions	10,227,620	4,948,942	-	-
Current year disposals	59,221	70,152	-	-
Current year depreciation	3,470,449	3,555,007	-	-
Cost to 31 March	162,656,659	152,515,055	-	-
Accumulated Depreciation to 31 March	39,633,190	36,189,176	-	-
Net Book Value	123,023,469	116,325,879	-	-
Capital work in progress included in cost & net book amount	5,032,069	1,383,495	-	-
Other Electrical Assets				
Cost to 1 April	4,352,262	4,177,709	-	-
Accumulated Depreciation to 1 April	1,916,808	1,838,161	-	-
Net Book Value 1 April	2,435,454	2,339,548	-	-
Current year additions	417,143	174,553	-	-
Current year disposals	-	-	-	-
Current year depreciation	93,233	78,647	-	-
Cost to 31 March	4,769,405	4,352,262	-	-
Accumulated Depreciation to 31 March	2,010,041	1,916,808	-	-
Net Book Value	2,759,364	2,435,454	-	-

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	Group		Parent	
	2020	**2019**	**2020**	**2019**
	$	**$**	**$**	**$**
15 PROPERTY, PLANT & EQUIPMENT (Cont)				
Motor Vehicles				
Cost to 1 April	5,215,450	5,054,834	-	-
Accumulated Depreciation to 1 April	3,707,810	3,423,349	-	-
Net Book Value 1 April	1,507,640	1,631,485	-	-
Current year additions	498,399	372,213	-	-
Current year disposals	8,400	42,229	-	-
Current year depreciation	409,456	453,829	-	-
Cost to 31 March	5,497,727	5,215,450	-	-
Accumulated Depreciation to 31 March	3,909,544	3,707,810	-	-
Net Book Value	1,588,183	1,507,640	-	-
Plant, Furniture and Fittings				
Cost to 1 April	10,160	10,160	5,080	5,080
Accumulated Depreciation to 1 April	8,606	7,100	4,303	3,550
Net Book Value 1 April	1,554	3,060	777	1,530
Current year additions	288,373	263,688	-	-
Current year disposals	5,180	9,832	-	-
Current year depreciation	187,094	161,584	346	753
Cost to 31 March	3,746,323	3,546,508	5,080	5,080
Accumulated Depreciation to 31 March	2,907,602	2,803,886	4,650	4,304
Net Book Value	838,721	742,622	430	776
Total Net Book Value	133,022,209	126,037,453	430	776
16 INTANGIBLE ASSETS				
Software				
Cost to 1 April	450,582	417,422	-	-
Accumulated Amortisation to 1 April	393,038	373,260	-	-
Net Book Value 1 April	57,544	44,162	-	-
Current year additions	54,658	33,159	-	-
Current year amortisation	26,715	19,777	-	-
Cost to 31 March	505,239	450,582	-	-
Accumulated Amortisation to 31 March	419,752	393,038	-	-
Net Book Value	85,487	57,544	-	-

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FOR THE YEAR ENDED 31 MARCH 2020

	Group 2020 $	Group 2019 $	Parent 2020 $	Parent 2019 $
16 INTANGIBLE ASSETS (Cont)				
Goodwill				
Cost to 1 April	62,020	62,020	-	-
Accumulated impairment to 1 April	62,020	62,020	-	-
Net Book Value 1 April	-	-	-	-
Current year additions	-	-	-	-
Current year amortisation	-	-	-	-
Cost to 31 March	62.020	62.020	-	-
Accumulated Impairment to 31 March	62,020	62,020	-	-
Net Book Value	-	-	-	-
Easements				
Cost to 1 April	4,480,496	4,405,124	-	-
Accumulated impairment to 1 April	-	-	-	-
Net Book Value 1 April	4,480,496	4,405,124	-	-
Current year additions	13,513	75,372	-	-
Current year impairment	-	-	-	-
Cost to 31 March	4,494,009	4,480,496	-	-
Accumulated Impairments to 31 March	-	-	-	-
Net Book Value	4,494,009	4,480,496	-	-
Capital work in progress included in cost and net book amount	-	111,600	-	-
Total Net Book Value	4,579,496	4,538,040	-	-
17 INVESTMENTS				
Investments in Associates carried at cost	-	-	-	-
Shareholding in Associates	**Percentage Held**			
UFF Holdings Limited	15%	15%	-	-

UFF Holdings was formed to construct and operate an ultra-fast broadband (UFB) network, these activities are not related to the Group's activities.

	Group 2020 $	Group 2019 $	Parent 2020 $	Parent 2019 $
Investments in Associates				
UFF Holdings Limited				
Opening Balance as at 1 April	6,436,350	7,355,700	-	-
Profit / (Loss) during the year	(557,123)	(919,350)	-	-
Closing Balance as at 31 March	5,879,227	6,436,350	-	-

	Group		Parent	
	2020	**2019**	**2020**	**2019**
	$	**$**	**$**	**$**
17 INVESTMENTS (Cont)				
Loans to Associates				
UFF Holdings Limited				
Loans as at 1 April	81,170,089	70,731,395	-	-
Loans advanced during year	5,762,085	7,137,041	-	-
Loan repayments received	-	-	-	-
Interest charged	3,877,775	3,301,653	-	-
Interest received	-	-	-	-
Loans as at 31 March	90,809,949	81,170,089	-	-
	96,689,176	87,606,439	-	-

Interest is charged on the loan at 4.36% pa (2019 4.64% pa) and the loan has no predetermined settlement date. The loan is unsecured and the interest rates are as at balance date.

No significant restrictions apply to the ability of the associate to transfer funds to the entity in the form of cash dividends, or repay loans or advances made by the entity.

UFF Holdings Ltd is incorporated in New Zealand and has a balance date of 31 March.

The loan to associate (UFF Holding Limited) has been classified as a performing loan for the 2020 and 2019 financial years. No loss allowance has been applied to the loan (2019 Nil) as it has been deemed fully recoverable due to the pending sale.

Refer to note 26, Events Subsequent to Balance Date

Summarised Financial Information

Summarised financial information of UFF Holdings Limited are set out below:

	Group 2020 $	Group 2019 $	Parent 2020 $	Parent 2019 $
Summarised balance sheet				
Current Assets	22,901,000	8,599,000	-	-
Non-current assets	648,010,000	590,510,000	-	-
Total Assets	670,911,000	599,109,000	-	-
Current Liabilities	14,731,000	13,077,000	-	-
Non-current Liabilities	616,986,000	543,123,000	-	-
Total Liabilities	631,717,000	556,200,000	-	-
Net Assets	39,194,000	42,909,000	-	-
Summarised comprehensive income				
Revenue	82,423,000	67,062,000	-	-
Expenses	79,829,000	71,097,000	-	-
Profit before Income Tax	2,594,000	(4,035,000)	-	-
Tax	(6,308,000)	(2,094,000)	-	-
Loss after income tax (expense) / benefit	(3,714,000)	(6,129,000)	-	-
Other comprehensive income	-		-	-
Total comprehensive income	(3,714,000)	(6,129,000)	-	-

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	Group		Parent	
	2020	2019	2020	2019
	$	$	$	$
18 EMPLOYEE BENEFITS				
Superannuation - defined contribution plans	158,475	137,856	-	-
Other Employee benefits included in operating expenses	5,802,382	5,438,970	29,580	28,722
Other Employee benefits capitalised to Property, Plant and Equipment	562,636	403,871	-	-
Total Employee benefits	6,523,493	5,980,697	29,580	28,722
19 FINANCE COSTS				
Bank Borrowing costs	2,286,767	2,193,528	-	-
Less Interest Capitalised on Construction of Property, Plant and Equipment	-	-	-	-
Less Interest rate swaps - cashflow hedges	206,194	344,753	-	-
Total Employee benefits	2,492,961	2,538,281	-	-
20 RECONCILIATION OF NET SURPLUS TO NET CASH FLOWS FROM OPERATING ACTIVITIES				
Reported Profit/(Loss) after tax	5,741,623	5,209,647	(34,285)	(36,050)
Add (Less) Non Cash Items:				
Depreciation	4,425,987	4,513,984	346	753
Amortisation of Intangible Assets	26,715	19,777	-	-
Impairment on Goodwill	-	-	-	-
Unrealised Interest rate swaps-loss/(gain)hedges	206,194	344,753	-	-
Increase (Decrease) in deferred tax	(104,282)	444,459	-	-
Increase in Term Employee entitlements	3,356	8,677	-	-
	10,299,593	10,541,297	(33,939)	(35,297)
Add (Less) Movements in Working Capital Items				
Decrease (increase) in Tax Receivables	(153,537)	(277,625)	-	-
Decrease (increase) in Trade and Other Receivables	(1,024,593)	(368,277)	-	-
Decrease (increase) in Inventories	(114,279)	(164)	-	-
Increase (Decrease) in Trade and Other Payables	6,389,714	277,876	(5,558)	(395)
Increase (Decrease) in Interest Expense Accrual	9,783	12,420	-	-
Increase (Decrease) in Employee Entitlements	(12,075)	52,704	-	-
	5,095,013	(303,066)	(5,558)	(395)
	15,394,606	10,238,231	(39,497)	(35,692)
Add (Less) Items Classified as Investing Activities				
Net Loss on Disposal of Assets	1,949	33,180	-	-
Increase (Decrease) in Creditors for Property,	-	(98,377)	-	-
Plant and Equipment	-	-	-	-
Share of net profit(loss) of associates	557,123	919,350	-	-
Capital Contributions	(5,995,498)	(2,992,471)	-	-
Decrease/(Increase) in Prepayments	9,705	9,705	-	-
Interest added to investment	(3,785,286)	(3,209,164)	-	-
	(9,212,007)	(5,337,777)	-	-
Add (Less) Items Classified as Financing Activities				
Interest added to Related Party Borrowings	(69,988)	(59,558)	-	-
	(69,988)	(59,558)	-	-
Net Cash Inflows from Operating Activities	6,112,611	4,840,896	(39,497)	(35,692)

21 DERIVATIVE FINANCIAL INSTRUMENTS

The group had the following derivative financial instruments carried at fair value at year end as follows:

Valuation technique using observable inputs - Financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable (Level 2).

	Group 2020 $	Group 2019 $	Parent 2020 $	Parent 2019 $
Current interest rate swaps - cash flow hedges	673,936	486,552	-	-
Non current interest rate swaps - cash flow hedges	470,303	451,493	-	-
Total interest rate swaps - cash flow hedges	1,144,239	938,045	-	-

The principal amounts of the outstanding interest rate swap contracts at 31 March 2020 were $41 million (2019 $48 million) Gains and losses in movement of fair value for future cashflows are recognised through the income statement in finance costs.
As at 31 March 2020 the interest rates vary from 1.55% to 2.88% (2019: 3.73% to 4.14%) and the main floating rate is (bank bill mid rate) BKBM.
There is no change (2019 $0) in the fair value due to credit risk.

The table below analyses the Company's financial liabilities into the relevant maturity groupings based on the remaining period at year end to the contracted maturity date. The amounts discl[illegible] are the undiscounted contracted cash flows.

	Group 2020		Group 2019	
	Inflow	Outflow	Inflow	Outflow
Less than one year	493,839	1,167,775	1,177,899	1,664,450
Between 1 and 2 years	328,090	719,421	701,588	992,875
Between 2 and 3 years	100,800	174,900	384,314	544,521
Between 3 and 4 years	6,628	11,500	-	-
	929,357	2,073,596	2,263,801	3,201,846

22 FINANCIAL INSTRUMENTS

Liquidity Risk

Liquidity risk is the risk that the entity may be unable to meet their financial obligations as they fall due. This risk is managed by maintaining sufficient cash and deposits together with access to committed credit facilities. The Trusts access to committed credit facilities is disclosed in note 9. The Trusts exposure to liquidity risk related to trade and other payables is disclosed in note 12.

Credit Risk

Credit risk is the potential risk of financial loss arising from the failure of a customer or counterparty to settle its financial and contractual obligations to the Entity, as and when they fall due. The credit risk attributable to receivables and loans to associates are managed and monitored on an ongoing basis via the Group's management reporting procedures and internal credit review procedures.

The Group has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to trade receivables and the economic environment. These provisions are considered representative across all customers of the Group based on recent sales experience, historical collection rates and forward-looking information that is available. See note 10 for further information.

In the normal course of its business, Waipa Networks incurs credit risk from trade receivables from customers. Waipa Networks largest customer accounts for 23% (2019:17%) of total sales and 10% (2019:15%) of trade receivables at balance date for which a bank performance bond is held. There are no other significant concentrations of credit risk and Waipa Networks generally does not require any collateral.

22 FINANCIAL INSTRUMENTS (cont)

In the Group's historical experience collection of trade receivables falls within the recorded provisions. Due to these factors, the Directors believe that no additional credit risk beyond amounts provided for in expected credit losses is inherent in the Group’s trade receivables.
In terms of the Loans to Associates, the Group believes that the possibility of non-performance by the associate is remote on the basis of the pending sale, refer Note 26, Events Subsequent to Balance Date.
Other than as mentioned above, the Group has no significant concentration of credit risk on its financial assets. The maximum exposures to credit risk are represented by the carrying amounts of other financial assets in the balance sheet. Waipa Networks does not provide any financial guarantees which would expose the Group to credit risk.
Details of ageing and impairment of trade receivables are in note 10.

Waipa Networks places its cash and short term deposits with high credit quality financial institutions with a recognised credit rating of A- or better and limits the amount of credit exposure to any one institution, as set forth by the Board of Directors. While the company may be subject to credit losses up to the contract amounts in the event of non-performance by other parties, it does not expect such losses to occur.

Market Risk

Price Risk

Waipa Networks is not exposed to price risk as it has no instruments subject to market prices.

Currency Risk

Waipa Networks enters into forward exchange contracts for any significant capital transaction conducted in currency other than the New Zealand dollar to eliminate the effects of any currency fluctuations, these are recognised when the transaction occurs. There are no currency hedges as at 31 March 2020 (2019:Nil).

Interest Rate Risk

Waipa Networks is exposed to changes in the market interest rate relating to the Company’s short term debt obligations. The Company’s policy is to manage interest rate risk by funding ongoing activities with short term borrowings funded at fixed term interest rates. Interest rate swaps are used to reduce the Company’s exposure to interest rate risk on long term funding requirements. The Company borrowings are drawn to fund ongoing operations and capital expenditure programs.
As at the reporting date, the company had the following variable rate borrowing and weighted average interest rate swap contracts outstanding:

	Group 2020		**Group 2019**	
	Interest Rate	Balance	Interest Rate	Balance
Bank Borrowings	3.45%	61,240,000	3.93%	56,460,000
Interest rate swaps	3.75%	(41,000,000)	3.96%	(48,000,000)
Net exposure to cash flow interest rate		20,240,000		8,460,000

Interest rate risk + 1%	Carrying Amount	Profit	Carrying Amount	Profit
Financial Assets				
Cash and cash equivalents	73,866	-	13,890	-
Short term investments	-	-	-	-
Trade and other receivables	4,807,886	-	3,783,293	-
Investments in associates	5,879,227	(653,831)	6,436,350	(584,425)
Loans to associates	90,809,949	908,099	81,170,089	811,701
Financial Liabilities				
Trade and other payables	5,112,661	-	2,238,641	-
Debt Facility	61,240,000	(202,400)	56,460,000	(84,600)
Related Party Borrowings	3,147,922	(31,479)	3,125,420	(31,254)
Derivative financial instruments	1,144,239	(485,665)	938,045	810,931
Total Increase / (decrease)		(465,276)		922,353

Fair Value

The fair value of all financial instruments approximates the carrying value recorded in the balance sheet.

	Group 2020		Group 2019	
	At Cost	Fair Value Through Income Statement	At Cost	Fair Value Through Income Statement
Financial Assets				
Cash and cash equivalents	73,886	-	13,890	-
Short term investments	-	-	-	-
Trade and other receivables	4,807,886	-	3,783,293	-
Total Financial Assets	4,881,772	-	3,797,183	-
Financial Liabilities				
Trade and other payables	5,112,661	-	2,238,641	-
Debt Facility	61,240,000	-	56,460,000	-
Related Party Borrowings	3,147,922	-	3,125,420	-
Derivative financial instruments	-	1,144,239	-	938,045
Total Financial Liabilities	69,500,583	1,144,239	61,824,061	938,045

Maturity Analysis

The table below analyses the company's financial liabilities into relevant maturity groupings based on the remaining period at balance date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Year ended 31 March 2020	< 1 year	1-5 years	Total Contractual cash flows	Carrying Amount
Trade and other payables	5,112,661	-	5,112,661	5,112,661
Debt Facility	61,240,000	-	61,240,000	61,240,000
Related Party Borrowings	3,147,922	-	3,147,922	3,147,922
Derivative financial instruments	673,936	470,303	1,144,239	1,144,239
	70,174,519	470,303	70,644,822	70,644,822

Year ended 31 March 2019	< 1 year	1-5 years	Total Contractual cash flows	Carrying Amount
Trade and other payables	2,236,693	-	2,236,693	2,236,693
Debt Facility	56,460,000	-	56,460,000	56,460,000
Related Party Borrowings	3,125,420	-	3,125,420	3,125,420
Derivative financial instruments	486,551	451,494	938,045	938,045
	62,308,664	451,494	62,760,158	62,760,158

23 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

There are no contingent liabilities as at 31 March 2020 (2019:$Nil).

There are commitments for future capital expenditure of $1,049,220 as at 31 March 2019 (2019:$337,103).

Pursuant to the UFF Holdings Limited shareholders agreement there is a commitment for capital requirements and the guarantee obligations during the next 1 years which will if required either be funded from operating profit, current debt or long term debt.

WAIPA NETWORKS TRUST
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FOR THE YEAR ENDED 31 MARCH 2020

24 CONTINGENT ASSETS

There are no contingent assets as at 31 March 2020 (2019:$Nil).

25 SEGMENTAL REPORTING

The Trusts financial statements are based on the information that internally is provided to the CEO, who is the Group's chief operating decision maker. Waipa Networks operates predominantly in one industry, the distribution of electricity. All operations are carried out within New Zealand, and are therefore within one geographical segment for reporting purposes.

Major Customers

Revenue from 5 (2019: 4) customers of $24,853,405 (2019: $20,862,250) represents 67% (2019: 57%) of the entitys total revenues.

26 EVENTS SUBSEQUENT TO BALANCE DATE

The Directors of Waipa Networks Ltd authorised their financial statements for issue on 3 July 2020. Waipa Networks Limited confirmed on 12 May 2020 that it had entered into a contract to sell its 15% shareholding in UFF Holdings Limited (UFFH) to First State Investments (known as First Sentier Investors in Australia (FSI)). The contract remains conditional and subject to certain customary regulatory approvals with settlement expected later in 2020. The sale to FSI is agreed at $854 million, of which Waipa Networks share will be 15%. After all fees and transaction costs Waipa Networks Limited expects to realise greater than $123 million in the 2021 financial year.

27 RELATED PARTIES

At balance date, the Waipa Networks Trust held 100 per cent of the shares in Waipa Networks Limited.
As part of its everyday business Waipa Networks Ltd passes rebates to retail electricity users in its network. Directors and staff of Waipa Networks Ltd and Trustees of Waipa Networks Trust that are connected to the company's network have received these rebates calculated on the same basis as other retail electricity user rebates.

	2020	**2019**
Related Party Transactions with Waikato Networks Ltd:	**$**	**$**
Interest income (capitalised to loan)	3,877,775	3,301,653
Revenue received to make ready poles for attachment of fibre	-	-
Revenue received for pole rental	-	-
Trade Debtors	-	-
Loan	90,809,949	81,170,089
Related Party Transactions with Ultrafast Fibre Ltd:		
Revenue received to make ready poles for attachment to fibure	-	1,712
Revenue received for pole rental	26,903	26,903
Trade Debtors	2,578	2,578

There are no other related party transactions.
No related party debts were forgiven or written off during 2020 or 2019.

	Group 2020 $	Group 2019 $	Parent 2020 $	Parent 2019 $
27 RELATED PARTIES (Cont)				
Remuneration of Key Management Personnel				
Short term employee benefits	1,122,495	1,000,186	-	-
Post-employment benefits	-	-	-	-
Secretary & Trustees Fees	125,828	119,288	125,828	119,288
Director's Fees	256,067	221,605	-	-
	1,504,390	1,341,079	125,828	119,288

The remuneration of directors is determined by the Waipa Networks Trust. The remuneration of the Chief Executive Officer is determined by the board having regard to the performance of the individual and market trends. The remuneration of other key management is determined by the Chief Executive Officer having regard to the performance of individuals and market trends.

28 PERFORMANCE MEASURES

All figures in the following note relate to the company (Waipa Networks Ltd) only.

Under Section 44 of the Energy Companies Act 1992, the Company is required to report its performance against targets set out in the Statement of Corporate Intent for the year. The performance of the business for the year ended 31 March 2020 is as follows:

	Target	2020	2019
Financial Performance Indicators			
Profit before interest expense and tax as a percentage of total assets	5.60%	4.38%	4.67%
Profit after tax as a percentage of equity	5.60%	4.25%	4.02%
Ratio of Equity to total assets	55.00%	57.55%	59.46%
Efficiency Performance Measures			
Maintenance costs per electricity customer	$210	$212	$209
Operational expenditure per electricity customer	$100	$105	$104
Energy Delivery efficiency performance measures			
Loss Ratio	6.50%	5.49%	5.48%
Network Reliability performance measures			
Faults per 100km lines (11kv)	10.8	13.1	10.8
SAIDI (average minutes per customer)	237	269	168

Planned SAIDI was 39% over target, due to significant outages required for network upgrades for the Waikeria Prison upgrade project and other network maintenance and new connections work. The Waikeria project upgrades involve significant re-conductoring to improve capacity, which unavoidably requires outages as the conductor must be de-energised in order to replace it.
Unplanned SAIDI was 32% over target, due to significant contributions from third party interference (mainly car versus pole incidents) and equipment failures.

	Target	2020	2019
SAIFI (average interruptions per customer)	2.36	2.5	1.37

The Statement of Corporate Intent SAIDI and SAIFI targets are set by using one standard deviation of the average of the last five years actual performance adjusted to target a gradual improvement.

WAIPA NETWORKS TRUST
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28 PERFORMANCE MEASURES (Cont)

Definitions

SAIDI = The system average interruption duration index - normalised average number of minutes that electricity supply was lost per customer, normalised by limiting the impact of a major event day.

SAIFI = the system average interruption frequency index - normalised average frequency of interruptions to electricity supply per customer, normalised by limiting the impact of a major event day.

Successive interruptions greater than one minute within an event are treated as new interruptions. In circumstances where multiple interruptions occur as a result of a single initiating event, e.g. interruptions for fault finding; we count each interruption separately. This is consistent with the interpretation used in the prior year.

LTIFR $\frac{\text{Number of lost time injuries per annum x 200,000 hours}}{\text{hours worked per annum}}$

Staff Safety	**Target**	**2020**	**2019**
Lost Time Injury Frequency Rate (LTIFR)	0.0	10.14	9.42
Lost time work accidents per 100 employees*	0.0	9.2	8.1
Percentage of hours lost per annum	0.00%	0.57%	0.68%
Total hours lost per annum	0	678	748

*With only 65 employees each work accident equates to about 1.5 accidents per 100 employees.

$\frac{\text{Number of lost time injuries * 100 employees}}{\text{Average staff numbers for year}}$

Our targets for staff safety are set at zero to reinforce our company mantra "Everyone home safe every day". While zero is the target we have had five Lost Time Injuries in the year resulting in 678 hours of lost time.

29 COMPARISON OF STATEMENT OF CORPORATE INTENT AND FINANCIAL RESULTS

All figures in the following note relate to the Company (Waipa Networks Ltd) only.

STATEMENT OF COMPREHENSIVE INCOME	**Target** $	**Actual** $
Line Charges	31,493,000	31,278,615
Less Discounts	5,050,000	5,100,537
Net line charges	26,443,000	26,178,078
Other Revenue	6,964,000	5,556,773
Net Revenue	33,407,000	31,734,851
Transmission	8,615,000	8,615,343
Operations	10,035,000	11,418,818
Depreciation	4,855,000	4,452,356
Operating Expenses	23,505,000	24,486,517
Profit from Operations	9,902,000	7,248,334
Interest income	3,976,000	3,883,566
Net loss on disposal of assets	35,000	(1,949)
Profit before interest expense and tax	13,913,000	11,129,951
Finance Costs	2,818,000	2,665,462
Share of net profit / (loss) of associates	-	-557,123
Profit before tax	11,095,000	7,907,366
Tax	2,539,000	2,131,458
Profit after tax	8,556,000	5,775,908

29 COMPARISON OF STATEMENT OF CORPORATE INTENT AND FINANCIAL RESULTS (Cont)

Other revenue is less than target due to lower levels of capital contributions being recognised. Systems maintenance was higher than anticipated which contributed to the additional costs in operations. Profit before tax is under target due to the share of loss in associates.

All figures in the following note relate to the Company (Waipa Networks Ltd) only

	Target	Actual
	$	$
BALANCE SHEET		
Assets		
Property, Plant and Equipment	136,148,000	133,021,779
Intangible assets	4,698,000	4,579,496
Prepayments	284,000	284,677
Investments in associates	6,436,000	5,879,227
Loans to associates	91,035,000	90,809,949
Total non-current assets	238,601,000	234,575,128
Cash and cash equivalents	80,000	73,886
Trade and other receivables	2,843,000	4,747,885
Prepayments	370,000	60,001
Income tax receivable	-	141,091
Work in Progress	200,000	64,920
Stock	900,000	1,464,663
Total current assets	4,393,000	6,552,446
Total assets	242,994,000	241,127,574
Equity	144,162,000	138,772,945
Liabilities		
Employee entitlements	-	217,182
Capital Contributions in advance	7,367,000	3,866,299
Derivative financial instruments	-	470,303
Deferred tax liabilities	22,221,000	22,254,754
Total non-current liabilities	29,588,000	26,808,538
Trade and other payables and capital contributions	3,032,000	5,112,661
Capital Contributions in advance		4,857,704
Borrowings	63,325,000	64,387,922
Derivative financial instruments	-	673,936
Provisions	2,224,000	513,868
Income tax payable	663,000	-
Total current liabilities	69,244,000	75,546,091
Total liabilities	98,832,000	102,354,629
Total equity and liabilities	242,994,000	241,127,574

29 COMPARISON OF STATEMENT OF CORPORATE INTENT AND FINANCIAL RESULTS (Cont)

Current liabilities are above target due to the high balance of capital contributions in advance. For the purpose of the target all capital contributions were allocated to non current liabilities.

All figures in the following note relate to the Company (Waipa Networks Ltd) only

	Target $	Actual $
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	28,357,000	27,902,796
Payments to suppliers and employees	(13,671,000)	(16,575,696)
Net GST	(82,000)	(364,521)
Cash generated from operations	14,604,000	10,962,579
Interest Received	-	5,791
Interest paid	(2,818,000)	(2,426,984)
Taxes Paid	(2,239,000)	(2,389,278)
Net Cash Flows from Operating Activities	9,547,000	6,152,108
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property, plant and equipment	55,000	70,853
Capital contributions	4,375,000	6,370,835
Purchase of property, plant and equipment	(12,801,000)	(11,483,544)
Purchase of intangible assets	(200,000)	(68,171)
Purchase of investments	(4,650,000)	(5,762,085)
Net cash flows from investing activities	(13,221,000)	(10,872,112)
CASH FLOW FROM FINANCING ACTIVITIES		
Increase in borrowings	3,740,000	4,780,000
Net cash flows from financing activities	3,740,000	4,780,000
Net increase (decrease) in cash held	66,000	59,996
Cash & cash equivalents at 1 April	14,000	13,890
Cash & cash equivalents at 31 March	80,000	73,886
CASH BALANCES IN THE BALANCE SHEET	80,000	73,886

Payments to suppliers are above target due to higher levels of operations spending than anticipated. Purchase of investments and borrowings are above target due to funding requirements from associate.