Waitomo Energy Services Customer Trust

Annual Report

for the year ended 31 March 2017

Waitomo Energy Services Customer Trust
Statement of Comprehensive Income
for the year ended 31 March 2017

	Note	Group 2017 $'000	Group 2016 $'000
Revenue	1	50,298	50,148
Investment income	1	26	32
Total revenue from continuing operations		50,324	50,180
Operating expenses	2	(24,218)	(24,477)
Depreciation and amortisation	8 & 9	(10,669)	(11,428)
Interest Costs (net)	3	(2,733)	(2,584)
Auditors remuneration - audit fees		-	-
Auditors remuneration - other fees		-	-
Auditors remuneration - other fees		-	-
Auditors remuneration - other fees		-	-
Directors fees and expenses		-	-
Impairment of Assets		(307)	-
Gain / (loss) on sale of assets		-	-
Impairment of goodwill	9.1	-	(860)
Other expenses		(160)	(179)
Total expenses from continuing activities		(38,087)	(39,528)
Share of net loss of associate accounted for using the equity method		(203)	-
Profit before tax		12,034	10,652
Income tax expense	4	(3,823)	(3,621)
Profit for the year		8,211	7,031
Profit for the year is attributable to:			
Equity holders of the parent		8,239	7,048
Minority interest		(28)	(17)
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Revaluation of network asset, land and buildings		-	-
Income tax relating to revalued assets		-	-
Other comprehensive income for the year		-	-
Items that may be subsequently reclassified to profit or loss			
Cashflow hedge reserve		998	(1,421)
Income tax relating to cashflow hedges		(279)	398
Other comprehensive income for the year net of tax		719	(1,023)
Total comprehensive income for the year net of tax		8,930	6,008
Total comprehensive income is attributable to:			
Equity holders of the parent		8,958	6,025
Minority interest		(28)	(17)

Notes to the financial statements are included on pages 20 to 45

Waitomo Energy Services Customer Trust
Statement of Financial Position
as at 31 March 2017

	Note	Group 2017 $'000	Group 2016 $'000
Current assets			
Cash and cash equivalents		1,212	1,057
Trade and other receivables	6	2,961	3,672
Inventories	7	1,767	1,688
		5,940	6,417
Non-current assets			
Property, plant and equipment	8	246,182	241,744
Goodwill	9.1	-	-
Intangible assets	9	1,941	1,714
Investment in equity accounted associate	11.2	3,079	-
Deferred Tax Asset	14	1,187	1,435
Other financial assets		100	98
		252,489	244,991
Total assets		258,429	251,408
Current liabilities			
Trade and other payables	16	5,909	5,555
Convertible Notes Issued by subsidiary	15	250	250
Other financial liabilities	19.1	2,634	3,631
Current tax liability	13	623	1,262
Provision for staff entitlements	17	1,474	1,311
		10,890	12,009
Non-current liabilities			
Bank Borrowings	15	52,239	49,100
Convertible Notes issued by subsidiary	15	900	950
Subordinated debentures	15	2,000	2,000
Deferred tax liabilities	14	49,501	48,380
		104,640	100,430
Total liabilities		115,530	112,439
Net assets		142,899	138,969
Equity			
Consolidated equity	12.1	142,050	138,092
Minority interest	12.1	849	877
Total equity		142,899	138,969

Chair ____________ Trustee ____________

Date 5. 9. 2017. Date 5. 9. 2017

Notes to the financial statements are included on pages 20 to 45

Waitomo Energy Services Customer Trust
Statement of Changes in Equity
for the year ended 31 March 2017

	Note	Share Capital $'000	Retained Earnings $'000	Cashflow Hedge Reserves $'000	Revaluation Reserves $'000	Total attributable to the Trust $'000	Non-controlling Interest $'000	Total Equity $'000
Balance as at 31 March 2015		13,246	50,208	(1,458)	74,567	136,563	894	137,457
Profit for the year		-	7,048	-	-	7,048	(17)	7,031
Other comprehensive income								
Interest rate swaps		-	-	(1,023)	-	(1,023)	-	(1,023)
Total other comprehensive income		-	-	(1,023)	-	(1,023)	-	(1,023)
Transactions with owners								
Distributions paid	10	-	(4,496)	-	-	(4,496)	-	(4,496)
Dividends		-	-	-	-	-	-	-
Total transactions with owners		-	(4,496)	-	-	(4,496)	-	(4,496)
Balance as at 31 March 2016		13,246	52,760	(2,481)	74,567	138,092	877	138,969
Profit for the year		-	8,239	-	-	8,239	(28)	8,211
Other comprehensive income								
Interest rate swaps		-	-	719	-	719	-	719
Revaluation of land and buildings		-	-	-	-	-	-	-
Revaluation of network assets		-	-	-	-	-	-	-
Prior year adjustment		-	-	-	-	-	-	-
Total other comprehensive income		-	-	719	-	719	-	719
Transactions with owners								
Distributions paid	10	-	(5,000)	-	-	(5,000)	-	(5,000)
Total transactions with owners		-	(5,000)	-	-	(5,000)	-	(5,000)
Balance as at 31 March 2017		13,246	55,999	(1,762)	74,567	142,050	849	142,899
Attributable to Trust Equity		13,246	55,999	(1,762)	74,567	142,050	849	142,899

Notes to the financial statements are included on pages 20 to 45

Waitomo Energy Services Customer Trust
Statement of Cash Flows
for the year ended 31 March 2017

	Note	Group 2017 $'000	Group 2016 $'000
Operating activities			
Cash receipts from customers		51,000	49,848
Cash paid to suppliers and employees		(23,966)	(24,823)
Net cash flow from operating receipts and payments		27,034	25,025
Interest and dividends received		27	34
Interest paid		(2,877)	(2,799)
Net cash from operating activities before tax		24,184	22,260
Taxes paid	13	(3,365)	(1,628)
Net cash from operating activities		20,819	20,632
Investing activities			
Purchases of property, plant and equipment		(14,729)	(17,124)
Purchases of intangible assets		(861)	(479)
Proceeds on disposal of property, plant and equipment		115	87
Purchase of equity accounted associate		(3,282)	-
Gain on sale of shares and notes in subsidiary		-	-
Net cash used in investing activities		(18,757)	(17,516)
Financing activities			
Dividends paid		-	-
Capital Distributions to Customers	10	(4,996)	(4,496)
Shares in subsidiary sold to minority		-	-
Convertible notes in subsidiary sold to minority		(50)	(50)
Bank borrowings advanced		3,139	1,150
Net cash from financing activities		(1,907)	(3,396)
Net (decrease)/increase in cash and cash equivalents		155	(280)
Cash and cash equivalents at the beginning of the year		1,057	1,337
Cash and cash equivalents at the end of the year		1,212	1,057

Notes to the financial statements are included on pages 20 to 45

Waitomo Energy Services Customer Trust
Statement of Cash Flows
for the year ended 31 March 2017

Reconciliation of net profit before tax to net cash from operating activities

		Group	
		2017	**2016**
		$'000	$'000
	Note		
Profit before tax for the period		12,034	10,652
Adjustments for non cash items:			
Depreciation and amortisation	8 & 9	10,669	11,428
(Gain)/loss on disposal of non-current assets		-	-
Impairment		308	860
Asset Write - off		(5)	156
Capitalised interest expense		(170)	(215)
Movement in provision for doubtful debts		(80)	147
Stock adjustment		-	-
Share of surpluses/(losses) retained by equity accounted associate		203	-
Impairment of intercompany loan		-	-
		22,959	23,028
Changes in net assets and liabilities:			
Trade and other receivables		787	(445)
Construction contracts		-	-
Inventories		(79)	(138)
Trade and other payables		354	165
Current provision for staff entitlements		163	(350)
Non current provision for staff entitlements		-	-
Net cash used in investing activities		1,225	(768)
Net cash from operating activities before tax		24,184	22,260
Income tax paid	13	(3,365)	(1,628)
Net Cash from operating activities		20,819	20,632

Notes to the financial statements are included on pages 20 to 45

Notes to the Financial Statements

General Information

The Waitomo Energy Services Customer Trust ("the Trust") is an Energy Power Trust established under the Energy Companies Act 1992. The Trust's principal activity is investment in the electricity industry. It owns 100% of the shares in The Lines Company Ltd. The Group consists of The Trust, The Lines Company ('the Company") and its subsidiaries (being Financial Corporation Ltd, Clearwater Hydro Ltd, Matawai Hydro Ltd and Speedys Road Hydro Ltd "the Group").

The company's principal activities are the conveyance of electricity through its distribution network, supply of metering and relay equipment, electrical contracting and electricity generation. Those principal activities are substantially carried out in the greater King Country region of New Zealand.

In accordance with the requirements of Generally Accepted Accounting Practice in New Zealand (NZ GAAP), where a reporting entity prepares consolidated financial statements, the parent disclosures are not required.

The financial statements were authorised for issue by the Trustees on 5 September 2017.

Summary of significant accounting policies

Basis of preparation

The consolidated financial statements of the group have been prepared in accordance with NZ GAAP.

The group is a for-profit entity for the purposes of complying with NZ GAAP. The consolidated financial statements comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), other New Zealand accounting standards and authoritative notices that are applicable to entities that apply NZ IFRS. The consolidated financial statements also comply with International Financial Reporting Standards (IFRS).

They are prepared on the historical cost basis except for the revaluation of certain non-current assets and financial instruments measured at fair value.

The presentation currency is New Zealand Dollar ($). All financial information has been rounded to the nearest thousand, unless otherwise stated.

Significant accounting policies, estimates and judgements

The Lines Company's management is required to make judgements, estimates and apply assumptions that affect the amounts reported in the financial statements. They are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in the future periods.

Judgements and estimates which are material to the financial report are found in the following notes:

Note 1	Revenue recognition	Page **21**
Note 8	Valuation of network distribution system	Page **28**
Note 8	Generation property, plant and equipment	Page **29**
Note 9.1	Goodwill	Page **30**
Note 17	Provisions for staff entitlements	Page **38**
Note 19.2	Financial instruments	Page **39 - 40**

Notes to the Financial Statements

For the year ended 31 March 2016

1. Revenue

	2017 $'000	2016 $'000
<u>Continuing operations</u>		
Network	40,811	39,513
Meters and relays	4,009	3,732
Contracting	3,329	5,028
Generation	2,147	1,849
Corporate services	3	26
Revenue	50,298	50,148
Investment Income		
Interest on bank deposits	26	32
Total revenue from continuing operations	50,324	50,180

Policies

Revenue is measured at the fair value of the consideration received or receivable.

Network revenue, including lines charges, and charges for meters and relay services are recognised on a monthly basis as the services are provided to customers.

External Contracting revenue is recognised when the work is completed except for significant projects where the percentage of completion method is used on a case by case basis.

Interest revenue is recognised as it accrues, using the effective interest method.

Generation revenue is recognised when electricity generated is sold on the wholesale market.

Key judgements

Management must apply judgement where:

Part of the network charges are based on normalisation, where demand is assessed based on historical actual meter readings. Occasionally the meter reading history data is not consistent and subsequent adjustments are made to customer's accounts, where further charges are applied or refunds given. These adjustments are not material when compared with total network revenue.
External contracting projects are considered significant when the project value is greater than $500,000.

2. Operating Expenses

	2017 $,000	2016 $,000
Transmission charges	7,423	7,013
Total staff cost recognised as expense	10,277	10,083
Cost of inventories recognised as expense	1,270	1,258
Professional fees	1,784	1,594
Property expenses	697	650
Directors fees and expenses	270	227
Loss/(gain) on disposal of PPE and software intangibles	(88)	(74)
Other indirect expenses	2,584	3,276
Total	24,218	24,477

Fees paid to auditors	2017 $,000	2016 $,000
Financial statement audit fees	165	179
Regulatory audit fees	72	52
OAG fees	16	16
Regulatory advice	80	76
Cyber risk assessment	-	26
	333	349

3. Interest costs (net)

	2017 $,000	2016 $,000
Interest on bank borrowings	2,709	2,625
Capitalised interest	(170)	(215)
Interest on convertible notes issued by subsidiary	79	83
Interest on subordinated debentures	100	102
Other interest expense, principally IRD Use of Money	15	(5)
Interest income	-	(6)
Total	2,733	2,584

The weighted average interest rate on bank borrowings, including interest rate swap derivatives, is 4.89% (2016: 5.37%).

Refer note 15 for information on interest rates charged in respect of convertible notes issued by subsidiary and subordinated debentures.

Policies

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

4. Income Tax expense

Reconciliation of income tax expense	**2017 $'000**	**2016 $'000**
Profit before income tax	12,034	10,652
Expenses that are non-deductible	292	394
Impairment of goodwill	308	860
Taxable profit	12,634	11,906
Income tax expense at 28% for the company (2015: 28%)	3,554	3,354
Income tax expense at 33% for the trust (2015: 33%)	2,410	2,267
Benefit of imputed dividends	(2,061)	(1,944)
Effect of prior period tax adjustment	(80)	(56)
Income tax expense	3,823	3,621
Effective tax rate (being total tax expense divided by Profit before tax)	32%	34%
Current tax expense	2,733	3,149
Deferred tax expense	1,090	472
Income tax expense	3,823	3,621
Attributable to:		
Continuing activities	3,823	3,621

Amounts recognised directly in other comprehensive income

Aggregate current and deferred tax arising in the reporting period and not recognised in net profit and loss component of the statements of comprehensive income but directly debited and credited to other comprehensive income.

	2017 $'000	**2016 $'000**
Deferred tax - debited (credited) directly to other comprehensive income	(279)	(398)
Total tax expense for the year recognised in other comprehensive income	(279)	(398)

Policies

Income tax expense comprises current and deferred tax and is calculated using tax rates enacted or substantively enacted at balance sheet date.

Current and deferred tax is recognised in profit and loss unless the tax relates to items in other comprehensive income, in which case the tax is recognised as an adjustment in other comprehensive income against the item to which it relates.

Imputation credits

The parent entity is a Trust and therefore not required to maintain an imputation credit account. Any tax paid by the parent is a final tax on the income received. In respect to the companies within the group, imputation credits are gained through tax paid and are available to attach to future dividends. The imputation credits available for subsequent reporting periods as at 31 March 2017 are $4.27m (2016 – $4.58m).

5. Operational profit

	2017 $'000	2016 $'000
Earnings before interest, tax, depreciation and amortisation (EBITDA)		
Network	25,110	24,553
Meters and relays	2,836	2,876
Contracting	1,513	523
Generation	1,517	1,164
Investment income	26	32
Corporate services	(5259)	(4,484)
	25,743	24,664
Depreciation and amortisation	10,669	11,428
Impairment	308	-
Earnings before interest and tax (EBIT)	14,766	13,236

6. Trade and other receivables

	2017 $'000	2016 $'000
Trade Receivables		
Trade receivables	3,129	3,386
Less provision for doubtful debts	(627)	(707)
Balance at 31 March	2,502	2,679
Other Receivables		
Sundry debtors	96	373
Prepayments	363	620
Balance at 31 March	459	993
Receivables balance at 31 March	2,961	3,672
Ageing Of Trade Receivables		
Current to 90 days	2,344	2,383
Greater than 90 days	785	1,003
	3,129	3,386

Provision for doubtful debts

	2017 $'000	2016 $'000
Opening balance	707	560
Movement in provision	47	202
Receivables written off during the year as uncollectable	(127)	(55)
	627	707

Policies

No interest is charged on trade receivables for most customers.

Receivables are initially recognised at fair value and subsequently at amortised cost less impairment.

The carrying amount of trade and other receivables approximates their fair value because all amounts are due within one month and there are no amounts where settlement thereof is greater than one year.

Judgements

A provision for impairment is recognised when there is evidence The Lines Company will be unable to collect the debt. Factors involved in gathering this evidence include ageing of the debt, any disputes with debtors, ability to locate the debtor and debtors perceived ability to pay.

7. Inventories

	2017 $'000	2016 $'000
Contracting stores	886	943
Network stores	15	29
Transformers	387	320
Private lines	424	296
Meters and relays	54	99
Generation	1	1
	1,767	1,688

Policies

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

Cost includes the cost of direct materials and other charges, e.g. freight incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method.

Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

8. Property, plant and equipment

	Land $'000	Buildings $'000	Network Distribution System $'000	Meters & Relays $'000	Plant & Vehicles $'000	Generation $'000	Total $'000
Gross carrying amount							
At 31 March 2015	1,362	1,771	214,952	20,852	8,604	21,635	269,176
Additions	-	4	9,876	5,715	1,088	341	17,024
Disposals	-	-	(149)	-	(925)	(110)	(1,184)
Capital works in progress	(6)	137	339	-	-	(160)	310
At 31 March 2016	1,356	1,912	225,018	26,567	8,767	21,706	285,326
Additions	-	15	9,377	3,822	884	64	14,162
Disposals	-	-	-	-	(458)	(44)	(502)
Reclassification						(28)	(28)
Capital works in progress	-	329	567	(134)	-	3	765
At March 2017	1,356	2,256	234,962	30,256	9,193	21,701	299,723
Accumulated depreciation and impairment							
At 31 March 2015	-	11	12,313	12,531	5,959	2,720	33,534
Depreciation charge	-	36	7,336	2,084	962	581	10,999
Disposals	-	-	-	-	(845)	(106)	(951)
At 31 March 2016	-	47	19,649	14,615	6,076	3,195	43,582
Depreciation charge	-	36	7,502	1,110	974	585	10,207
Impairment		139					139
Disposals	-	-	-	-	(378)	(8)	(386)
At 31 March 2017	-	222	27,151	15,725	6,672	3,772	53,542

Carrying amount (Net book value)

	Land	Buildings	Network Distribution System	Meters & Relays	Plant & Vehicles	Generation	Total
	$’000	$’000	$’000	$’000	$’000	$’000	$’000
At 31 March 2015	1,362	1,760	202,639	8,321	2,645	18,915	235,642
At 31 March 2016	1,356	1,865	205,369	11,952	2,691	18,511	241,744
At 31 March 2017	1,356	2,034	207,811	14,531	2,521	17,929	246,182

Carrying amount (Cost model)

	Land	Buildings	Network Distribution System	Meters & Relays	Plant & Vehicles	Generation	Total
	$’000	$’000	$’000	$’000	$’000	$’000	$’000
At 31 March 2016	719	1,938	115,056	11,952	2,691	18,512	150,868
At 31 March 2017	719	1,917	116,931	14,530	2,519	17,930	154,546

The table represents the carrying amounts that would have arisen had all PPE been carried under the cost model.

Land and buildings

The land and buildings of the Group, comprising the vacant land and depots at Waitete Road Te Kuiti, Te Peka Street Taumarunui, Old Station Road Ohakune, the residential dwellings at Te Peka Street Taumarunui and head office at King Street East Te Kuiti were revalued to $2.542m at 31 March 2015.

These valuations were prepared by Doyle Valuations Ltd (A.N.Z.I.V, S.N.Z.P.I), an independent valuer with local experience. These valuations were carried out in accordance with API and PINZ Professional Practice and International Valuation Standards. Cost summation, market rate and income approaches were used for the valuation.

The fair value measurements above are considered to be Level 3 as they are derived from valuation techniques that include inputs for the assets that are not based on observable market data (unobservable inputs).

Policies

Property, plant and equipment assets other than land and buildings and network distribution system are initially measured at cost, and subsequently stated at cost less depreciation and any impairment losses.

Land and buildings and Network distribution assets are held at their fair value. Fair values are determined based on valuations adjusted for subsequent purchase costs, disposals, depreciation and impairment.

Expenditure is capitalised if the asset is technically and commercially feasible, future economic benefits are probable and the Company intends to use or sell the asset.

Capitalisation occurs immediately once an asset is acquired or installed.

Depreciation begins once an asset is ready for use.

Depreciation of PPE, other than land, is calculated on a straight line basis and expensed over the life of the asset.

Estimated useful asset lives are as follows:

Buildings	40 – 100 years
Distribution System	5 – 60 years
Meters & Relays	4 – 15 years
Plant & Vehicles	1 – 10 years
Generation	10 – 75 years

Gain or loss on disposal is recognised in profit and loss.

Judgements

Network Distribution System

The Group estimates the fair value of the distribution network through independent valuers using the discounted cash flow method.

Network distribution system assets, excluding meters and relays, were revalued to $201.747 million at 31 March 2015. The valuation was independently prepared by Deloitte and the key assumptions used are shown in the table below. In all cases an element of judgment is required. The valuation is based on revenue and cost assumptions applied against a combination of discount rates and CPI inflation rates. The carrying value of the Network assets was reviewed at 31 March 2017 to confirm it is materially consistent with fair value, and no adjustments were required.

Assumptions	Valuation assumptions adopted	Low	High	Valuation impact $000's
Demand/load growth	0.4%	-0.4%	0.4%	-$3,155 + $3,219
Discount rate	6.5%	-0.5%	0.5%	+ $7,158 - $7,158
CPI inflation	2.0%	-0.5%	0.5%	- $6,779 + $7,003

The valuer has assumed the terminal value equal to forecast Regulatory Asset Base (RAB) based on information disclosures, as it is believed that the terminal value would approximate the RAB value in a steady state regulatory environment. Previous valuations have used the Gordon growth method for calculating the terminal value.

The fair valuation measurements above are considered to be Level 3 as they are derived from valuation techniques that include inputs for the asset that are not based on observable market data (unobservable inputs).

Generation property

The carrying value of the Group's generation property is assessed for impairment annually.

The basis of the impairment assessment is the value-in-use discounted cash flow analysis of the future earnings of the assets. The major inputs that are used in the value-in-use model that required judgment include the forward price path of electricity, sales volume forecasts, projected operational and capital expenditure profiles, discount rates and life assumptions for each generation station.

During the year the Electricity Authority (EA) provided guidance that Avoided Cost of Transmission (ACOT) revenue was not expected to continue in the current form past April 2019. This has reduced the base impairment value of the generation property compared to the prior year.

The directors consider that no reasonably possible change in any of the assumptions below would cause the carrying value of generation assets to exceed their recoverable amounts.

For the Mangapehi plant, the resource consent to use water is due to expire in June 2018. This consent is expected to be renewed.

Group generation assessment

			Total Impairment base value in use $20.29m	
Assumptions - Group	**Low**	**High**	**Negative value impact ($'000)**	**Positive value impact ($'000)**
Price path - Energy Link	Energy Link - 25th percentile	Energy Link - 75th percentile	3,420	3,420
Generation volume	-10.0%	10.0%	2,710	2,720
Operational costs	+20.0%	-20.0%	2,080	2,080
Discount rate - 7.19%	7.69%	6.69%	1,790	2,050

9. Intangible assets

	Software	Land Easements	Resource Consents & Rights	Total
	$'000	$'000	$'000	$'000
Cost				
Total cost at 31 March 2015	3,236	304	557	4,097
Additions	479	-	-	479
Total cost at 31 March 2016	3,715	304	557	4,576
Additions	555	113	175	843
Reclassification	18	-	-	18
Total cost at 31 March 2017	4,288	417	732	5,437

Accumulated amortisation and impairment

	Software	Land Easements	Resource Consents & Rights	Total
Total at 31 March 2015	2,433	-	-	2,433
Amortisation charge for the year	429	-	-	429
Total at 31 March 2016	2,862	-	-	2,862
Amortisation charge for the year	461	-	-	461
Impairment	-	-	169	169
Disposal	4	-	-	4
Total at 31 March 2017	3,327	-	169	3,496

Carrying amount (Net book value)

	Software	Land Easements	Resource Consents & Rights	Total
At March 2015	803	304	557	1,664
At March 2016	853	304	557	1,714
At March 2017	961	417	563	1,941

9.1 Goodwill

	2017	2016
	$'000	$'000
Gross carrying amount	-	860
Impairment of goodwill	-	(860)
Net carrying value	-	-

Policies

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill.

Goodwill is measured at cost less any accumulated impairment losses.

Impairment

Goodwill is tested annually for impairment against the recoverable amount of the cash-generating units to which it has been allocated.

Judgement

Prior year goodwill related to the purchase of John Deere Electrical Limited, where John Deere Electrical Limited as a whole was the cash generating unit for the goodwill impairment assessment.

During the prior year John Deere Electrical Limited was amalgamated in to The Lines Company Limited and the goodwill was written off in March 2016.

9.2 Other intangible assets

Policies

Other intangible assets are initially measured at cost and subsequently stated at cost less any accumulated amortisation and accumulated impairment losses.

Software is amortised on a straight line basis over its estimated useful life of 1 – 7 years.

Land easements have an indefinite life due to the right existing in perpetuity and are therefore not amortised and are required to be assessed for impairment annually.

Resource consents include the rights to construct small hydro schemes. These consents are classified as having an indefinite life due to the recognition of monitoring and renewal costs as operating expenses and are therefore tested for impairment annually.

10. Distributions

	2017 $'000	2016 $'000
Distributions paid	5,000	4,496

A Capital Distribution was made to the beneficiaries of the trust during the year.

11. Investments

11.1 Investment in subsidiaries

Name	Principal activity	Ownership Interest	
		2017	2016
		%	%
The Lines Company Ltd	Conveyance of electricity	100	100
Financial Corporation Limited	Meter and relay assets	100	100
Clearwater Hydro Limited	Developer and promoter of small hydro-electricity schemes throughout the North Island	-	100
Speedys Road Hydro Limited	Hydro generation scheme	75	75
Matawai Hydro Limited	Hydro generation scheme	-	100

Policies

Subsidiaries are entities over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

Intra-group transactions are eliminated on consolidation.

Amalgamation

Clearwater Hydro Limited and Matawai Hydro Limited were amalgamated into the Lines Company Limited as at 1 January 2017.

Balance dates

All subsidiaries have a balance date of 31 March.

Geography

All subsidiaries are incorporated in New Zealand.

11.2 Investment in associates

Name	Principal activity	Ownership Interest		Nature of Relationship	Measurement method	Carrying Amount	
		2017	2016			2017	2016
		%	%			$'000	$'000
Embrium holdings Limited	Meter support technology	36	-	Associate	Equity method	3,079	-

In August 2016 Financial Corporation Limited purchased a 36% shareholding in Embrium Holdings Ltd.

The principal place of business of Embrium Holdings Limited is Wellington. Embrium Holdings Limited is a technology company and its principal activities are the development of products and services for advanced metering. It is a strategic investment for the Group and complements the services provided by Financial Corporation Limited.

The following table summarises the financial information of Embrium Holdings limited as included in their own financial statements.

Summarised financial information of equity accounted associate

	2017 $'000	**2016 $'000**
Cash and cash equivalents	2,278	-
Total current assets	312	-
Total non current assets	45	-
Total assets	**2,635**	**-**
Total current liabilities	162	-
Total non current liabilities	-	-
Total liabilities	**162**	**-**
Net assets	**2,473**	**-**
Group's share of net assets	890	-
Goodwill acquired on acquisition of equity accounted associate	2,189	-
Carrying amount of equity accounted associate	**3,079**	**-**
Revenue	73	-
Depreciation and amortisation	3	-
Interest income	(50)	-
Net profit/loss before tax	**(629)**	**-**
Tax expense	65	-
Net profit/(loss) after tax	**(564)**	**-**
Group's share of net profit/(loss) after tax	**(203)**	**-**

Reconciliation to carrying amounts:

Opening net assets 16 August 2016	3,037
Profit/(loss) for the period	(564)
Other comprehensive income	-
Dividends paid	-
Closing net assets	2,473
Group's share	36%
Group's share in closing assets	890
Goodwill	2,189
Carrying amount	**3,079**

Policies The equity method of accounting is used for investments over which the group has significant influence but not a controlling interest.

Under the equity method, the investment in the associate is carried at cost plus post-acquisition changes in the group's share of net assets of the associate less impairment losses. Goodwill relating to the associate is included in the carrying amount of the investment.

The Group's share of the change to associate's post-acquisition profits or losses is recognised in the income statement. The post acquisition movements are included after adjustments to align the accounting policies with those of the Group.

Judgements

Through the shareholder agreement, Financial Corporation Limited is guaranteed two seats on the board of Embrium and participates in all significant financial and operating decisions. The Group has therefore determined that it has a significant influence over this entity; however, with 36% shareholding it does not have a controlling interest. The carrying value of the investment is reviewed annually for impairment. As the investment is meeting the planned achievements no impairment is judged to be required

12. Equity and reserves

12.1. Total equity and minority interest

	2017 $'000	2016 $'000
Trust reserves	142,050	138,092
Minority interest share	849	877
	142,899	138,969

Minority Interest

Waitomo Energy Services Customer Trust holds 100% of the shares in The Lines Company Ltd but the Lines Company Ltd has only a 75% interest in Speedys Road Hydro Ltd.

12.2. Hedge reserves

Hedge reserves

Hedge reserves comprise the cash flow hedge reserve.

The cash flow hedge reserve records the effective portion of changes in fair values of interest rate swaps that are designated cash flow hedges.

The gain or loss relating to the ineffective portion is recorded in the Statement of Comprehensive Income within net Interest costs.

The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the Statement of Comprehensive Income within net interest costs.

During the year, $0.718m (2016 – $1.023m) was transferred to the cash flow hedge reserve to interest cost.

12.3. Revaluation reserve

	Network Distribution System $'000	Land & buildings $'000	Total $'000
Total at 31 March 2015	80,704	413	81,117
Total at 31 March 2016	80,704	413	81,117
Total at 31 March 2017	80,704	413	81,117

13. Current tax liability/ (asset)

	2017 $'000	2016 $'000
Opening balance	1,262	(221)
Tax payments and tax credits received	(3,365)	(1,628)
Prior year adjustments	-	6
Prior year transfer from current to deferred tax	(7)	(44)
Current tax expense for the year	2,733	3,149
Closing balance	623	1,262

Policies

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation.

Management establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

14. Deferred tax liability

	Property, plant & equipment $'000	Cash flow hedges $'000	Provisions $'000	Total $'000
At 31 March 2015	47,910	(619)	(464)	46,827
Charged to income	426	-	46	472
Charged to other comprehensive income	-	(398)	-	(398)
Prior year transfer current to deferred tax	44	-	-	44
At 31 March 2016	48,380	(1,017)	(418)	46,945
Charged to income	1,121	-	(31)	1,090
Charged to other comprehensive income	-	279	-	279
At 31 March 2017	49,501	(738)	(449)	48,314

	2017 $'000	2016 $'000
Non-current - deferred tax asset	(1,187)	(1,435)
Non-current - deferred tax liability	49,501	48,380
Net deferred tax liability	48,314	46,945

Policies

Deferred tax is:

- Recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.
- Not recognised from the initial recognition of goodwill.
- Determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to be applied when the related deferred income tax asset is realised or the deferred income tax liability is settled.

15. Bank borrowings, convertible notes and subordinated debentures

	2017 $'000	2016 $'000
Bank borrowings	52,239	49,100
Convertible notes issued by subsidiary	1,150	1,200
Subordinated debentures:		
North King Country Development Trust	2,000	2,000
	55,389	52,300
Disclosed in the financial statements as:		
Current borrowings	250	250
Non-current borrowings	55,139	52,050
	55,389	52,300

Policies

Borrowings are initially measured at fair value, less transaction costs and are subsequently measured at amortised cost, using the effective interest rate method.

Bank borrowings

The Trust's subsidiary The Lines Company Ltd has total bank lending facilities of $75.4m for three years. The facility expires on 31 May 2020.

The working capital portion of this facility is $3m and is subject to annual renewal and expires on 31 December 2017.

Security held by the bank for these loans is a Composite General Security Agreement over certain assets of the Group.

The Directors estimate the fair value of the Group's bank loans approximate their book value, because they are floating rate loans.

Convertible Notes

Speedys Road Hydro Limited (SRHL) had issued $3.75m of convertible notes to TLC and $1.25m of convertible notes to the minority shareholder. The proceeds were used to repay debt owed to TLC. The convertible notes are interest bearing (6.79%).The convertible notes issued to TLC are eliminated on consolidation in the group financial statements.

On 30 September 2017, $200,000 of the convertible notes were repaid reducing the balance to $3.45m to TLC and $1.15m to the minority shareholder.

The holder may either elect to convert the notes to shares, redeem the notes for cash or extend the maturity date of the notes. The election notice is subject to agreement by the SRHL board of directors and who are entitled to act in what they reasonably consider to be in the best interests of SRHL. At 31 March 2017, there were three separate tranches of convertible notes of $1,000,000 each with maturity dates of 30 September 2017, 30 September 2018, and 30 September 2019. There were two separate tranches of convertible notes of $800,000 each with maturity dates of 30 September 2020 and 30 September 2021. SRHL reserves the right to defer interest payments in perpetuity while it does not have sufficient cash to make the payment.

The fair value of the convertible notes is not considered to be materially different from its principal value as the terms of the notes are such that comparable market instruments would not differ materially in value.

Subordinated debentures

The subordinated debenture is stated at its fair value.

The North King Country Development Trust (NKCDT) loan has a principal value of $2,000,000 and had fixed interest of 5.00% per annum (2016: 5.00%).

The subordinated debenture is unsecured and has no specified maturity date. Repayment of the subordinated debenture is not permitted until full repayment of all other borrowings of the Company.

The fair value of the NKCDT debenture is not considered to be materially different from its principal value as the terms of the debenture are such that comparable instruments would not differ materially in value.

There are no specified repayment terms in relation to subordinated debentures.

16. Trade and other payables

	2017 $'000	2016 $'000
Trade creditors	2,721	2,866
Interest accruals	355	328
Other accruals	2,833	2,361
	5,909	5,555

Policies

Trade and other payables are:

- Recognised at fair value when the Group becomes obligated to make future payments resulting from the purchases of goods and services and are subsequently measured at amortised cost using the effective interest method.
- Comprise amounts outstanding for trade purchases and on-going costs.
- Carrying amount approximates to their fair value because the amounts due will be settled within one year's time for their carrying value.

17. Provision for staff entitlements

	2017 $'000	2016 $'000
Opening balance	1,311	1,414
Accrued	1,470	1,358
Utilised	(1,307)	(1,461)
	1,474	1,311

Policies

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, trainee bonds and gratuities when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made that are expected to be settled within 12 months are measured at their amounts expected to be paid using the remuneration rate expected at the time of settlement.

Provisions made that are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to balance date.

The carrying amount of the provision for staff entitlements approximates to their fair value as most of the entitlement is due to be settled within one year.

18. Contingent assets and liabilities

The Trust's subsidiary, The Lines Company Ltd has capital commitments of $1.6m (2016:$1.5m) including $1m of transformers, $0.5m of metering equipment and $0.1m of property plant and equipment.

The Group has no contingent liabilities.

19. Financial risk management

Objectives

The Trust's subsidiary, The Lines Company Ltd manages financial risks by complying with the policies set by the Board. The risks outlined in the policy include:

- Interest rate risk;
- Credit risk;
- Capital risk;
- Liquidity risk; and
- Electricity price risk.

Any new risks are referred to the Board for consideration as they become known. Each risk is monitored and reported to the board on a quarterly basis.

19.1 Interest rate risk

	2017 $'000	2016 $'000
Mark to market fair value of interest rate swaps at balance date (liability) were	(2,634)	(3,631)

Policies

The Group is exposed to interest rate risk through its borrowing activities.

Interest rate risk is managed through the use of interest rate swaps contracts.

Sensitivity

Sensitivity analysis is determined based on the exposure to interest rates for both derivatives and non-derivative instruments at balance sheet date.

A 100 basis point increase or decrease is used to assess interest rate and this represents management's assessment of the reasonably possible change in interest rates.

	2017 $'000	2016 $'000
Impact on profit or loss		
-1% change in interest rates	(77)	(145)
+1% change in interest rates	77	145
Impact on balance sheet		
-1% change in interest rates	(668)	(1,074)
+1% change in interest rates	668	1,074

The Group's sensitivity to interest rates has increased during the current period due to the increase in variable rate debt instruments.

19.2 Credit risk

The Group's principal financial assets are cash and cash equivalents, trade and other receivables and related party loans, which represent the Group's maximum exposure to credit risk in relation to financial assets.

19.2a Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices;
- the fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments;
- the fair value of derivative instruments is calculated using quoted prices. Where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve derived from quoted interest rates for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

Fair value measurements recognised in the balance sheet

The following table provides an analysis of financial instruments that are measured subsequent to total recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

		Level 1	Level 2	Level 3	Total
		$'000	$'000	$'000	$'000
Group 2017	**Year**				
Derivative financial liabilities	2017	-	(2,634)	-	(2,634)
Group 2016	**Year**				
Derivative financial liabilities	2016	-	(3,631)	-	(3,631)

There were no transfers between Level 1, 2 and 3 during the year.

19.2b Financial instruments by category

	Loans and receivables	Financial liabilities at amortised cost	Derivatives designated as cash flow hedges	Total
2017	$'000	$'000	$'000	$'000
Cash and bank balances	1,212	-	-	1,212
Trade and other receivables	2,598	-	-	2,598
Total financial assets	3,810	-	-	3,810
Trade and other payables	-	5,909	-	5,909
Borrowings	-	55,389	-	55,389
Other financial liabilities	-	-	2,634	2,634
Total financial liabilities	-	61,298	2,634	63,932
Net financial assets/(liabilities)	3,810	(61,298)	(2,634)	(60,122)
2016				
Cash and bank balances	1,057	-	-	1,057
Trade and other receivables	3,052	-	-	3,052
Total financial assets	4,109	-	-	4,109
Trade and other payables	-	5,555	-	5,555
Borrowings	-	52,300	-	52,300
Other financial liabilities	-	-	3,631	3,631
Total financial liabilities	-	57,855	3,631	61,486
Net financial assets/(liabilities)	4,109	(57,855)	(3,631)	(57,377)

Policies

The group consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

The Group's credit risk is primarily attributable to its trade receivables.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with AA credit-ratings assigned by international credit-rating agencies.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

19.3 Capital risk

During 2017, the Lines Company Ltd strategy, which was unchanged from 2016, was to maintain an equity/assets ratio of not less than 40%.

The Group ratio at March 2017 and 2016 were as follows:

	2017 $'000	2016 $'000
Average equity (including subordinated debentures)	140,934	140,213
Total assets at year end	258,429	251,408
Equity to Assets Ratio	54.5%	55.8%

Policies

The Group manages it capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The Group's overall strategy remains unchanged from 2015 and is based on risk management strategies and treasury management policies set and monitored by the Board.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 15, and equity attributable to equity holders of the parent, comprising issued capital, retained earnings and reserves as disclosed in note 12 and statement of changes in equity respectively.

19.4 Liquidity risk

Financial liability maturity analysis

	Less than 1 month $'000	1 month to 1 year $'000	1 to 5 years $'000	Total $'000
Non-interest bearing	5,135	-	-	5,135
Variable interest rate instruments	144	1,780	55,228	57,152
At 31 March 2017	5,279	1,780	55,228	62,287
Non-interest bearing	5,721	-	-	5,721
Variable interest rate instruments	448	2,409	51,454	54,311
At 31 March 2016	6,169	2,409	51,454	60,032

The table includes both interest and principal cash flows.

Variable rate instruments include the impact of derivatives.

There are $2.0m of subordinated debentures (note 15) with no set maturity date. Interest payable on these is excluded from this analysis.

Policies The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by monitoring forecast and actual cash flows and matching maturity profiles of financial assets and liabilities.

19.5 Electricity price risk

Policies The Group is exposed to electricity price risk on its electricity generation activities.

The Group has entered in to a fixed term contract to supply electricity at agreed rates. This contract is fixed until 31 December 2017.

20. Related party transactions

Transactions with The Lines company Ltd

Waitomo Energy Services Customer Trust is the ultimate parent of The Lines Company Ltd as the Trust directly holds 100% of the shares in The Lines Company Ltd. All subsidiary companies of The Lines Company Group are considered related parties with Waitomo Energy Services Customer Trust.

No related party debts were forgiven or written off during 2017 (2016: Nil)

Remuneration of key management personnel

Key management personnel of the Waitomo Energy Services Customer Trust for the years ended 31 March 2017 and 31 March 2016 are limited to the Trustees. Remuneration details set out below:

	2017 $'000	2016 $'000
Trustee fees paid	81	85
Outstanding at balance date	-	-

M Darrow and S Young, directors of The Lines Company Limited are directors of Financial Corporation Limited and Embrium Holdings Limited. Financial Corporation Limited holds a 36% shareholding in Embrium Holdings Limited.

21. Other accounting policies

21.1 Operating lease arrangements

The Group is party to a number of operating leases for access to land for some communication sites and substations. The lease amounts paid are immaterial to the Group's overall operating costs. The Group does not have any options to purchase the leased assets at the expiry of the lease period.

22. Subsequent events

There were no material events after the March 2017 balance date which require recognition or disclosure.

Accounting Standards not yet adopted

New and amended accounting standards adopted
There are no new standards, amendments and interpretations which are effective for the current period with a material impact to the Group.

New accounting standards and interpretations not yet adopted
The following standards and interpretations which are considered relevant but not yet effective for the year ended 31st March 2017 have not been applied in preparing the financial statements:

- **NZ IFRS 15 *Revenue from Contracts with customers***

NZ IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature , amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces NZ IAS 18 'Revenue' and related interpretations. The standard is effective date for annual periods beginning or after 1 January 2018 and earlier application is permitted. The Group will apply this standard from 1 April 2017 but is yet to assess NZ IFRS 15's full impact.

- **NZ IFRS 9 *Financial Instruments* (Effective date: periods beginning on or after 1 January 2018)**

NZ IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of NZ IFRS 9 was issued in September 2014. It replaces the guidance in NZ IAS 39 that relates to the classification and measurement of financial instruments. NZ IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in NZ IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. NZ IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under NZ IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The group intends to adopt NZ IFRS 9 on its effective date and has yet to assess its full impact.

- **NZ IFRS 16 *Leases* (Effective date: Periods beginning on or after 1 January 2019)**

NZ IFRS 16, "Leases', replaces the current guidance in NZ IAS 17 Leases. Under NZ IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Under NZ IAS 17, a lessee was required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet. NZ IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. Included is an optional exemption for certain short-term leases (generally, those with a term of 12 months or less) and leases of low-value assets; however this exemption can only be applied by lessees.

Glossary of terms

EBITDA	Earnings before interest, tax, depreciation and amortisation.
EBIT	Earnings before interest and tax.
Special discount	Total discount paid or committed as per note.
Net assets	Non-current assets plus net working capital.
Shareholder funds	Shareholder equity plus subordinated debentures.
Debt to asset ratio	(Total liabilities less deferred tax liabilities) divided by total assets.
Capital ratio	Shareholder equity divided by total assets.
Return on average equity	(Profit after tax) divided by ((opening shareholder equity plus closing shareholder equity) divided by 2).
Return on average net assets	(EBIT multiplied by the applicable tax rate) divided by ((opening net assets plus closing net assets) divided by 2).

WAITOMO ENERGY SERVICES CUSTOMER TRUST
INCOME AND EXPENDITURE
STATEMENT FOR THE YEAR ENDED 31 MARCH 2017

	31 Mar 2017	31 Mar 2016
REVENUE	$	$
Interest Received		
The Lines Company Ltd	74,200	74,200
BNZ	26,162	31,906
Dividends Received (net of ICA credits)		
The Lines Company Ltd	5,300,000	5,000,000
Total Income	5,400,362	5,106,106
LESS EXPENSES		
Accountancy	10,925	10,350
Advertising	226	432
Audit Fees	5,910	6,843
Bank Fees	83	108
Computer Expenses	-	-
Conference Expenses	3,273	4,966
Consultancy	-	-
Current Interest	-	-
Election Expenses	-	-
General Office Expenses	40	550
Non Deductible Legal Expenses	-	-
Insurance	5,218	6,075
Meeting Expenses	2,314	3,396
Postage	350	350
Printing & Stationery	1,081	2,141
Subscriptions	5,139	6,907
Telephone	569	1,181
Travelling Expenses	4,316	9,228
Trustee Fees	81,000	85,250
Secretarial Fees	39,149	41,584
Total Expenses	159,593	179,361
Net Operating Surplus before Depreciation & Taxation	5,240,769	4,926,745
Less Depreciation	11	14
Net Operating Surplus after Depreciation & before Taxation	5,240,758	4,926,731
Less Taxation Provision	348,506	323,044
Trust Income after Taxation	4,892,252	4,603,687
Net Profit	4,892,252	4,603,687

The above information is a summary of the income and expenditure of the Trust. The information above is not consolidated and should be read in conjunction with the consolidated financial statements and the notes to those financial statements.

WAITOMO ENERGY SERVICES CUSTOMER TRUST
BALANCE SHEET
AS AT 31 MARCH 2017

	As at 31 Mar 2017 $	As at 31 Mar 2016 $
Current assets		
Bank of New Zealand Account	29,150	44,735
Bank of New Zealand On Call Account	55,702	55,293
Trade Debtors	-	4,130.68
Prepayments	-	5,218
Term Deposits	460,000	510,150
Current Tax Asset	51,884	58,236
	596,736	677,763
Non-current assets		
Plant and equipment	34	45
Investments:		
Shares - The Lines Company Ltd (11,846,808)	58,663,880	58,663,880
Debenture to The Lines Company Ltd	1,000,000	1,000,000
	59,663,914	59,663,925
Total assets	**60,260,650**	**60,341,688**
Current liabilities		
Bank of New Zealand Account	-	-
Accounts Payable	33,920	7,212
	33,920	7,212
Total liabilities	**33,920**	**7,212**
Net assets	**60,226,729**	**60,334,476**
EQUITY		
Trust Equity	60,226,729	60,334,476
Total equity	**60,226,729**	**60,334,476**

The above information is a summary of the balance sheet of the Trust. The information above is not consolidated and should be read in conjunction with the consolidated financial statements and the notes to those financial statements.

WAITOMO ENERGY SERVICES CUSTOMER TRUST
CAPITAL ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2017

	As at 31 Mar 2017 $	As at 31 Mar 2016 $
Income and Credits		
Balance at beginning	60,334,476	60,226,658
Net Profit	5,240,758	4,926,731
	65,575,234	65,153,389
Appropriated as follows		
Terminal Tax	348,506	323,044
Capital Distribution to owners	5,000,000	4,495,869
	5,348,506	4,818,913
	60,226,729	**60,334,476**

Trust Equity is made up of

Trust Capital	11,929,532	11,929,532
Revaluation Reserves	39,051,692	39,051,692
Retained Earnings	9,245,504	9,353,252
	60,226,729	**60,334,476**

The above information is a summary of the Equity of the Trust. The information above is not consolidated and should be read in conjunction with the consolidated financial statements and the notes to those financial statements.