Waitomo Energy Services Customer Trust

Annual Report

for the year ended 31 March 2018

Waitomo Energy Services Customer Trust
Statement of Comprehensive Income
for the year ended 31 March 2018

	Note	Group 2018 $'000	2017 $'000
Revenue	1	46,100	50,298
Investment income	1	15	26
Total revenue from continuing operations		46,115	50,324
Operating expenses	2	(22,991)	(24,218)
Depreciation and amortisation	8 & 9	(10,745)	(10,669)
Interest Costs (net)	3	(2,649)	(2,733)
Impairment of Assets		(214)	(307)
Other expenses		(213)	(160)
Total expenses from continuing activities		(36,812)	(38,087)
Share of net loss of associate accounted for using the equity method		(326)	(203)
Profit before tax		8,977	12,034
Income tax expense	4	(4,464)	(3,823)
Profit for the year		4,513	8,211
Profit for the year is attributable to:			
Equity holders of the parent		4,563	8,239
Minority interest		(50)	(28)
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Revaluation of network asset, land and buildings		590	-
Income tax relating to revalued assets		(125)	-
Other comprehensive income for the year		465	-
Items that may be subsequently reclassified to profit or loss			
Cashflow hedge reserve		247	998
Income tax relating to cashflow hedges		(69)	(279)
Other comprehensive income for the year net of tax		178	719
Total comprehensive income for the year net of tax		5,156	8,930
Total comprehensive income is attributable to:			
Equity holders of the parent		5,206	8,958
Minority interest		(50)	(28)

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Notes to the financial statements are included on pages 20 to 46

Waitomo Energy Services Customer Trust
Statement of Financial Position
as at 31 March 2018

	Note	Group 2018 $'000	Group 2017 $'000
Current assets			
Cash and cash equivalents		1,191	1,212
Trade and other receivables	6	2,685	2,961
Inventories	7	1,962	1,767
		5,838	5,940
Non-current assets			
Property, plant and equipment	8	255,679	246,182
Intangible assets	9	2,166	1,941
Investment in equity accounted associate	11.2	2,753	3,079
Deferred Tax Asset	14	1,074	1,187
Other financial assets		31	100
		261,704	252,489
Total assets		267,542	258,429
Current liabilities			
Trade and other payables	16	6,592	5,909
Convertible Notes Issued by subsidiary	15	250	250
Other financial liabilities	19.1	2,306	2,634
Current tax liability	13	947	623
Provision for staff entitlements	17	1,214	1,474
		11,309	10,890
Non-current liabilities			
Bank Borrowings	15	53,939	52,239
Other financial liabilities	19.1	81	-
Convertible Notes issued by subsidiary	15	850	900
Subordinated debentures	15	2,000	2,000
Deferred tax liabilities	14	51,309	49,501
		108,179	104,640
Total liabilities		119,488	115,530
Net assets		148,054	142,899
Equity			
Consolidated equity	12.1	147,255	142,050
Minority interest	12.1	799	849
Total equity		148,054	142,899

Chair _______________ Trustee _______________

Date 17/09/2018 Date 17/9/2018

Notes to the financial statements are included on pages 20 to 46

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Waitomo Energy Services Customer Trust
Statement of Changes in Equity
for the year ended 31 March 2018

	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 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
Total other comprehensive income		-	-	719	-	719	-	719
Transactions with owners								
Distributions paid	10	-	(5,000)	-	-	(5,000)	-	(5,000)
Dividends		-	-	-	-	-	-	-
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
Profit for the year		-	4,563	-	-	4,563	(50)	4,513
Other comprehensive income								
Interest rate swaps		-	-	178	-	178	-	178
Revaluation of land and buildings		-	-	-	465	465	-	465
Revaluation of network assets		-	-	-	-	-	-	-
Prior year adjustment		-	-	-	-	-	-	-
Total other comprehensive income		-	-	178	465	643	-	643
Transactions with owners								
Distributions paid	10	-	-	-	-	-	-	-
Total transactions with owners		-	-	-	-	-	-	-
Balance as at 31 March 2018		13,246	60,562	(1,584)	75,032	147,256	799	148,054
Attributable to Trust Equity		13,246	60,562	(1,584)	75,032	147,256	799	148,054

Notes to the financial statements are included on pages 20 to 46

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Waitomo Energy Services Customer Trust
Statement of Cash Flows
for the year ended 31 March 2018

	Note	Group 2018 $'000	2017 $'000
Operating activities			
Cash receipts from customers		44,896	51,000
Cash paid to suppliers and employees		(23,348)	(23,966)
Net cash flow from operating receipts and payments		21,548	27,034
Interest and dividends received		12	26
Interest paid		(2,913)	(2,877)
Net cash from operating activities before tax		18,647	24,184
Taxes paid	13	(2,413)	(3,365)
Net cash from operating activities		16,234	20,819
Investing activities			
Purchases of property, plant and equipment		(17,426)	(14,729)
Purchases of intangible assets		(621)	(861)
Proceeds on disposal of property, plant and equipment		142	115
Purchase of equity accounted associate		-	(3,282)
Gain on sale of shares and notes in subsidiary		-	-
Net cash used in investing activities		(17,905)	(18,757)
Financing activities			
Dividends paid		-	-
Capital Distributions to Customers	10	-	(4,996)
Shares in subsidiary sold to minority		-	-
Convertible notes in subsidiary sold to minority		(50)	(50)
Bank borrowings advanced		1,700	3,139
Net cash from financing activities		1,650	(1,907)
Net (decrease)/increase in cash and cash equivalents		(21)	155
Cash and cash equivalents at the beginning of the year		1,212	1,057
Cash and cash equivalents at the end of the year		1,191	1,212

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Notes to the financial statements are included on pages 20 to 46

Waitomo Energy Services Customer Trust
Statement of Cash Flows
for the year ended 31 March 2018

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

	Note	Group 2018 $'000	2017 $'000
Profit before tax for the period		8,977	12,034
Adjustments for non cash items:			
Depreciation and amortisation	8 & 9	10,745	10,669
(Gain)/loss on disposal of non-current assets		(1,883)	-
Impairment		214	308
Asset Write - off		-	(5)
Capitalised interest expense		(237)	(170)
Movement in provision for doubtful debts		(65)	(80)
Share of surpluses/(losses) retained by equity accounted associate		326	203
		18,077	22,959
Changes in net assets and liabilities:			
Trade and other receivables		342	787
Construction contracts		-	-
Inventories		(195)	(79)
Trade and other payables		683	354
Current provision for staff entitlements		(260)	163
Net cash used in investing activities		570	1,225
Net cash from operating activities before tax		18,647	24,184
Income tax paid	13	(2,413)	(3,365)
Net Cash from operating activities		16,234	20,819

Notes to the financial statements are included on pages 20 to 46

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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 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 31 August 2018.

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 2018

1. Revenue

	Note	2018 $'000	2017 $'000
Continuing operations			
Network		41,053	40,811
Non cash asset replacement (gifted asset)		1,883	-
Less network discount	10	(5,600)	-
Net network revenue		37,336	40,811
Meters and relays		4,551	4,009
Contracting		2,027	3,329
Generation		2,183	2,147
Corporate services		3	2
		8,764	9,487
Revenue		**46,100**	**50,298**
Investment Income			
Interest on bank deposits		**15**	**26**
		46,115	**50,325**

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 compared with total network revenue. External contracting projects are considered significant when the project value is greater than $500,000.

2. Operating Expenses

	2018 $,000	2017 $,000
Transmission charges	7,044	7,423
Total staff cost recognised as expense	9,675	10,277
Cost of inventories recognised as expense	1,134	1,270
Professional fees	2,609	1,784
Property expenses	830	697
Directors fees and expenses	284	270
Loss/(gain) on disposal of PPE and software intangibles	(17)	(88)
Other indirect expenses	1,432	2,584
Total	22,991	24,218

Fees paid to auditors	2018 $,000	2017 $,000
Financial statement audit fees	164	165
Regulatory audit fees	85	72
OAG fees	17	16
Regulatory advice	11	80
	277	333

3. Interest costs (net)

	2018 $,000	2017 $,000
Interest on bank borrowings	2,715	2,709
Capitalised interest	(237)	(170)
Interest on convertible notes issued by subsidiary	75	79
Interest on subordinated debentures	96	100
Other interest expense, principally IRD Use of Money	2	15
Interest income	(2)	-
Total	2,649	2,733

The weighted average interest rate on bank borrowings, including interest rate swap derivatives, is 5.18% (2017: 4.89%).

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	2018 $'000	2017 $'000
Profit before income tax	8,977	12,034
Expenses that are non-deductible	6,399	292
Impairment of goodwill	197	308
Income that is not assessable	(5)	
Taxable profit	15,568	12,634
Income tax expense at 28% for the company	4,395	3,554
Income tax expense at 33% for the trust	49	2,410
Benefit of imputed dividends	(78)	(2,061)
Effect of prior period tax adjustment	98	(80)
Income tax expense	4,464	3,823
Effective tax rate (being total tax expense divided by Profit before tax)	50%	32%
Current tax expense	2,736	2,733
Deferred tax expense	1,728	1,090
Income tax expense	4,464	3,823
Attributable to:		
Continuing activities	4,464	3,823

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.

	2018 $'000	2017 $'000
Deferred tax - debited (credited) directly to other comprehensive income	194	(279)
Total tax expense for the year recognised in other comprehensive income	194	(279)

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 value of imputation credits available for subsequent reporting periods as at 31 March 2018 $7.72m (2017 – $4.27m).

5. Operational profit

	2018 $'000	2017 $'000
Earnings before interest, tax, depreciation and amortisation (EBITDA)		
Network	22,542	25,110
Meters and relays	2,382	2,836
Contracting	1,472	1,513
Generation	1,224	1,517
Investment income	15	26
Corporate services	(5,051)	(5,259)
	22,584	25,743
Depreciation and amortisation	10,745	10,669
Impairment	214	308
Earnings before interest and tax (EBIT)	11,625	14,766

6. Trade and other receivables

	2018 $'000	2017 $'000
Trade Receivables		
Trade receivables	2,563	3,129
Less provision for doubtful debts	(562)	(627)
Balance at 31 March	2,001	2,502
Other Receivables		
Sundry debtors	243	96
Prepayments	441	363
Balance at 31 March	684	459
Receivables balance at 31 March	2,685	2,961
Ageing Of Trade Receivables		
Current to 90 days	1,698	2,344
Greater than 90 days	865	785
	2,563	3,129

Provision for doubtful debts

	2018 $'000	2017 $'000
Opening balance	627	707
Movement in provision	11	47
Receivables written off during the year as uncollectable	(76)	(127)
	562	627

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.

A provision for impairment is recognised when there is evidence The Lines Company will be unable to collect the debt.

Judgements

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

	2018 $'000	2017 $'000
Contracting stores	1,030	886
Network stores	15	15
Transformers	368	387
Private lines	547	424
Meters and relays	1	54
Generation	1	1
	1,962	1,767

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
<u>Gross carrying amount</u>							
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 31 March 2017	1,356	2,256	234,962	30,256	9,193	21,701	299,723
Additions	-	49	15,700	2,405	881	12	19,047
Disposals	-	-	(161)	-	(382)	-	(543)
Reclassification	-	-	(346)	-	-	-	(346)
Capital works in progress	-	-	24	585	-	7	616
At 31 March 2018	1,356	2,305	250,179	33,246	9,692	21,720	318,497
<u>Accumulated depreciation and impairment</u>							
At 31 March 2016	-	47	19,649	14,615	6,076	3,194	43,581
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	3,771	53,541
Depreciation charge	-	38	7,376	1,420	948	585	10,367
Reclassification	-	-	(346)	-	-	-	(346)
Revaluation	(11)	(332)	-	-	(66)	66	(343)
Disposals	-	(106)	(24)	-	(272)	-	(402)
At 31 March 2018	(11)	(178)	34,157	17,145	7,282	4,422	62,817

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 2016	1,356	1,865	205,369	11,952	2,691	18,512	241,745
At 31 March 2017	1,356	2,034	207,811	14,531	2,521	17,929	246,182
At 31 March 2018	1,367	2,483	216,022	16,100	2,410	17,298	255,680

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 2017	719	1,917	116,931	14,530	2,519	17,930	154,546
At 31 March 2018	719	1,928	125,095	16,101	2,408	17,298	163,549

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

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

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 $3.5m at 31 March 2018.

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 2 as they are derived from valuation techniques that include inputs for the assets that are not based on observable market data.

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 $214.7 million at 31 March 2018. This valuation was within the valuation range ($201.2m - $217.1m) 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 distribution revenues.

Assumptions	Valuation midpoint assumptions adopted	Low	High	Valuation impact $000's
Distribution revenue	-	-5%	5%	-$1,239 + $3,596
Discount rate	6.2%	-0.5%	0.5%	+ $8,106 - $7,739

Consistent with prior years, 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.

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 assets

The carrying value of the Group's generation assets are 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 2017 the Electricity Authority (EA) provided guidance that Avoided Cost of Transmission (ACOT) revenue was not expected to continue in the current form past October 2018. 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.

Group generation assessment

			Total Impairment base value in use $20.21m	
Assumptions - Group	**Low**	**High**	**Negative value impact ($'000)**	**Positive value impact ($'000)**
Price path - Energy Link	Energy Link - 25th percentile	Energy Link - 75th percentile	3,660	3,620
Generation volume	-10.0%	10.0%	2,930	2,930
Operational costs	+20.0%	-20.0%	2,340	2,340
Discount rate - 7.19%	7.99%	6.39%	2,880	3,950

9. Intangible assets

	Software	Land Easements	Resource Consents & Rights	Total
	$'000	$'000	$'000	$'000
Cost				
Total cost at 31 March 2016	3,715	304	557	4,576
Additions	555	113	175	842
Reclassification	18	-	-	18
Total cost at 31 March 2017	4,288	417	732	5,437
Additions	541	-	80	621
Total cost at 31 March 2018	4,829	417	812	6,058

Accumulated amortisation and impairment

	Software	Land Easements	Resource Consents & Rights	Total
Total at 31 March 2016	2,862	-	-	2,862
Amortisation charge for the year	461	-	169	630
Disposal	4	-	-	4
Total at 31 March 2017	3,327	-	169	3,496
Amortisation charge for the year	378	-	-	378
Impairment	-	-	17	17
Total at 31 March 2018	3,705	-	186	3,891

Carrying amount (Net book value)

	Software	Land Easements	Resource Consents & Rights	Total
At March 2016	853	304	557	1,714
At March 2017	962	417	563	1,941
At March 2018	1,124	417	626	2,166

Policies

Software is amortised on a straight line basis over its estimated useful life of 1 – 8 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.

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10. Distributions

	2018 $'000	2017 $'000
Distributions paid	-	5,000

No Capital Distribution was made to the beneficiaries of the Trust during the year.

During the year TLC agreed with the Trust to provide a discount of $5.6m direct to eligible consumers. At the same time it was agreed that the dividend paid to the Trust would be reduced.

11. Investments

11.1 Investment in subsidiaries

Name	Principal activity	Ownership Interest 2018 %	Ownership Interest 2017 %
The Lines Company Ltd	Conveyance of electricity	100	100
Financial Corporation Limited	Meter and relay assets	100	100
Speedys Road Hydro Limited	Hydro generation scheme	75	75

On 1 February 2018 Financial Corporation Limited issued an additional 2.0m shares for $2m to The Lines Company Limited.

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.

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 2018 %	Ownership Interest 2017 %	Nature of Relationship	Measurement method	Carrying Amount 2018 $'000	Carrying Amount 2017 $'000
Embrium Holdings Limited	Meter support technology	36	-	Associate	Equity method	2,753	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

	2018 $'000	2017 $'000
Cash and cash equivalents	1,064	2,278
Total current assets	640	312
Total non current assets	54	45
Total assets	**1,758**	2,635
		-
Total current liabilities	192	162
Total non current liabilities	-	-
Total liabilities	**192**	162
Net assets	**1,566**	2,473
Group's share of net assets	**564**	890
Goodwill acquired on acquisition of equity accounted associate	2,189	2,189
Carrying amount of equity accounted associate	2,753	3,079
Revenue	481	73
Depreciation and amortisation	13	3
Interest income	(44)	(50)
Net profit/loss before tax	**(1,015)**	(629)
Tax expense	120	65
Net profit/(loss) after tax	**(895)**	(564)
Group's share of net profit/(loss) after tax	**(326)**	(203)
Reconciliation to carrying amounts:		
Opening net assets	2,473	3,037
Profit/(loss) for the period	(895)	(564)
Closing net assets	1,578	2,473
Group's share	36%	36%
Group's share in closing assets	564	890
Goodwill	2,189	2,189
Carrying amount	2,753	**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.

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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 Holdings Limited 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

	2018 $'000	2017 $'000
Trust reserves	147,255	142,050
Minority interest share	799	849
	148,054	142,899

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 comprise the cash flow hedge reserve.

Policies

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.

Judgements

During the year, $0.178m (2017 – $0.718m) was transferred to the cash flow hedge reserve to interest cost.

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12.3. Revaluation reserve

	Network Distribution System $'000	Land & buildings $'000	Total $'000
Total at 31 March 2016	80,704	413	81,117
Total at 31 March 2017	**80,704**	**413**	**81,117**
Revaluation increases	-	590	590
Deferred tax on revaluation	-	(125)	(125)
Total at 31 March 2018	**80,704**	**878**	**81,582**

13. Current tax liability/ (asset)

	2018 $'000	2017 $'000
Opening balance	623	1,262
Tax payments and tax credits received	(2,413)	(3,365)
Prior year adjustments	-	-
Prior year transfer from current to deferred tax	-	(7)
Current tax expense for the year	2,736	2,733
Closing balance	947	623

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	Imputation credits not refundable $'000	Total $'000
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	-	-	(398)
Prior year transfer current to deferred tax	44	-	-	-	44
At 31 March 2017	49,501	(738)	(449)	-	48,314
Charged to income	1,683	-	74	(28)	1,757
Charged to other comprehensive income	125	67	-	-	192
At 31 March 2018	51,309	(671)	(375)	(28)	50,263

	2018 $'000	2017 $'000
Non-current - deferred tax asset	(1,074)	(1,187)
Non-current - deferred tax liability	51,309	49,501
Net deferred tax liability	50,235	48,314

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.
- 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.
- The non refundable imputation credits recognised in the parent entity which are carried forward as tax losses calculated at 33 cents.

15. Bank borrowings, convertible notes and subordinated debentures

	2018 $'000	2017 $'000
Bank borrowings	53,939	52,239
Convertible notes issued by subsidiary	1,100	1,150
Subordinated debentures:		
North King Country Development Trust	2,000	2,000
	57,039	55,389
Disclosed in the financial statements as:		
Current borrowings	250	250
Non-current borrowings	56,789	55,139
	57,039	55,389

	Borrow. Due within 1 year $'000	Borrow. Due after 1 year $'000	Total $'000
Net debt as at 31 March 2017	250	56,139	56,389
Cash flows	-	1,650	1,650
Net debt as at 31 March 2018	250	57,789	58,039

Policies

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

The subordinated debentures are stated at their fair values.

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 2018.

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 2018, there were two separate tranches of convertible notes of $1,000,000 each with maturity dates of 30 September 2018, and 30 September 2019. There were three separate tranches of convertible notes of $800,000 each with maturity dates of 30 September 2020, 30 September 2021 and 30 September 2022. 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 (2017: 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

	2018 $'000	2017 $'000
Trade creditors	2,495	2,721
Interest accruals	327	355
Other payables and accruals	2,451	1,650
Customer credit balances	1,319	1,183
	6,592	5,909

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

	2018 $'000	2017 $'000
Opening balance	1,474	1,311
Accrued	1,214	1,470
Utilised	(1,474)	(1,307)
	1,214	1,474

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.

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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 $4.2m including $4m of transformers and $0.2m of metering equipment (2017:$1.6m).

The Group has no contingent liabilities.

The Lines Company Ltd leases office space under a non-cancellable operating lease expiring within 3 years. The lease has varying terms and renewal rights. On renewal, the terms of the lease are renegotiated.

	2018 $'000	2017 $'000
No later than one year	63	63
Later than one year and no later than five years	14	76
Later than five years	-	-
	77	139

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

	2018 $'000	2017 $'000
Current	(2,306)	([illegible]34)
Non current	(81)	

Mark to market fair value of interest rate swaps at balance date (liability) were	(2,387)	(2,634)

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.

	2018 $'000	2017 $'000
Impact on profit or loss		
-1% change in interest rates	(100)	(77)
+1% change in interest rates	100	77
Impact on balance sheet		
-1% change in interest rates	(598)	(668)
+1% change in interest rates	598	668

The Group's sensitivity to interest rates has decreased 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 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Group 2017	**Year**				
Derivative financial liabilities	2018	-	(2,387)	-	(2,387)
Group 2016	**Year**				
Derivative financial liabilities	2017	-	(2,634)	-	(2,634)

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

19.2b Financial instruments by category

2018	Loans and receivables $'000	Financial liabilities at amortised cost $'000	Derivatives designated as cash flow hedges $'000	Total $'000
Cash and bank balances	1,191	-	-	1,191
Trade and other receivables	2,244	-	-	2,244
Total financial assets	3,435	-	-	3,435
Trade and other payables	-	6,593	-	6,593
Borrowings	-	57,039	-	57,039
Other financial liabilities	-	-	2,387	2,387
Total financial liabilities	-	63,632	2,387	66,019
Net financial assets/(liabilities)	3,435	(63,632)	(2,387)	(62,584)
2017				
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	-	55389	-	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)

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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 2018, 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 2018 and 2017 were as follows:

	2018 $'000	2017 $'000
Average equity (including subordinated debentures)	149,476	140,934
Total assets at year end	267,542	258,429
Equity to Assets Ratio	55.9%	54.5%

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 2017 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	3,323	-	-	3,323
Variable interest rate instruments	146	2,293	56,447	58,886
At 31 March 2018	3,469	2,293	56,447	62,209
Non-interest bearing	3,447	-	-	3,447
Variable interest rate instruments	144	1,780	55,228	57,152
At 31 March 2017	3,591	1,780	55,228	60,599

The table includes both interest and principal cash flows.

Variable rate instruments includes 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 2019.

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 2018 (2017: Nil)

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Remuneration of key management personnel

Key management personnel of the Waitomo Energy Services Customer Trust for the years ended 31 March 2018 and 31 March 2017 are limited to the Trustees. Remuneration details set out below:

	2018 $'000	2017 $'000
Trustee fees paid	81	81
Outstanding at balance date	16	-

Simon Young is a director of The Lines Company Limited, Financial Corporation Limited and Embrium Holdings Limited. Financial Corporation Limited holds a 36% shareholding in Embrium Holdings Limited.

Sean Horgan is a director of Embrium Holdings Limited and is the Chief Executive of The Lines Company Limited, the holding company of Financial Corporation Limited which holds a 36% shareholding in Embrium Holdings Limited.

21. Subsequent events

There were no material events after the March 2018 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 2018 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 for annual periods beginning on or after 1 January 2017 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 early assessment has indicated that there will be no significant changes to Note 19.2b.

- **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. 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 a lessee 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 and leases of low-value assets; however, this exemption can only be applied by lessees. The standard is effective for accounting periods beginning on or after 1 January 2019. The group intends to adopt NZ IFRS 16 on its effective date but is yet to assess NZ IFRS 16's full impact.

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 2018

	31 Mar 2018	31 Mar 2017
REVENUE	$	$
Interest Received		
The Lines Company Ltd	74,200	74,200
BNZ	15,164	26,162
Dividends Received (net of ICA credits)		
The Lines Company Ltd	200,000	5,300,000
Total Income	289,364	5,400,362
LESS EXPENSES		
Accountancy	12,672	10,925
Advertising	5,962	226
Audit Fee	4,503	5,910
Bank Fees	157	83
Computer Expenses	276	-
Conference Expenses	5,857	3,273
Consultancy	-	-
Current Interest	-	-
Election Expenses	10,292	-
General Office Expenses	500	40
Legal Fees	14,579	-
Insurance	6,349	5,218
Meeting Expenses	4,031	2,314
Postage	190	350
Printing & Stationery	1,797	1,081
Subscriptions	6,852	5,139
Telephone	1,226	569
Travelling Expenses	7,023	4,316
Trustee Fees	81,359	81,000
Secretarial Fees	49,094	39,149
Total Expenses	212,719	159,593
Net Operating Surplus before Depreciation & Taxation	76,644	5,240,769
Less Depreciation	8	11
Net Operating Surplus after Depreciation & before Taxation	76,636	5,240,758
Less Taxation Provision	-	348,506
Plus non-refundable imputation credits	28,439	
Trust Income after Taxation	105,075	4,892,252
Net Profit	105,075	4,892,252

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 2018

	As at 31 Mar 2018 $	As at 31 Mar 2017 $
Current assets		
Bank of New Zealand Account	24,815	29,150
Bank of New Zealand On Call Account	80,584	55,702
Trade Debtors	-	-
Prepayments	11,752	-
Accrued Interest	4,903	-
Term Deposits	520,000	460,000
Current Tax Asset	41,453	51,884
Future tax benefit	28,439	
	711,946	596,736
Non-current assets		
Plant and equipment	26	34
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
	59,663,906	59,663,914
Total assets	**60,375,852**	**60,260,650**
Current liabilities		
Bank of New Zealand Account	-	-
Accounts Payable	44,047	33,920
	44,047	33,920
Total liabilities	**44,047**	**33,920**
Net assets	**60,331,804**	**60,226,729**
EQUITY		
Trust Equity	60,331,804	60,226,729
Total equity	**60,331,804**	**60,226,729**

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 2018

	As at 31 Mar 2018 $	As at 31 Mar 2017 $
Income and Credits		
Balance at beginning	60,226,729	60,334,476
Net Profit	105,075	5,240,758
	60,331,804	65,575,234
Appropriated as follows		
Terminal Tax	-	348,506
Capital Distribution to owners	-	5,000,000
	-	5,348,506
	60,331,804	**60,226,729**

Trust Equity is made up of

Trust Capital	11,929,532	11,929,532
Revaluation Reserves	39,051,692	39,051,692
Retained Earnings	9,350,580	9,245,504
	60,331,804	**60,226,729**

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.