

Hawke's Bay Power Consumers' Trust

CHAIRMAN'S REPORT and FINANCIAL STATEMENTS of the Trust

**For the year ended
31 March 2017**

TRUSTEES

**J Newland
A Buntain
H Francis
D Kirton
K Gilligan**

HAWKE'S BAY POWER CONSUMERS' TRUST

DIRECTORY

Trust's Office:

C/- Brown Webb Richardson Ltd
111E Avenue Road
Hastings

Phone: (06) 873 8037
Facsimile (06) 876 5211
Email hbpct@bwr.co.nz

Trustees:

John Newland (Chairman)
Arch Buntain
Diana Kirton
Ken Gilligan
Helen Francis

Secretary and Accountant:

Stephen Dine

Bankers:

Westpac - Hastings

Auditors:

Audit New Zealand
Wellington

TRUSTEES' REPORT

On the operations and financial affairs of the

HAWKE'S BAY POWER CONSUMERS' TRUST

For the year ended 31 March 2017

ANNUAL REPORT TO CONSUMERS

THE TRUST

The Trust, set up in 1993, holds all the shares in Unison Networks Limited, on behalf of consumers who are connected to Unison's electricity lines network in Hawke's Bay – generally the areas of the Hastings District Council and the Napier City Council.

The Trust has five Trustees who are elected every three years. The current Trustees are John Newland, Arch Buntain, Diana Kirton, Ken Gilligan and Helen Francis.

This is an annual report on the operations and financial results of the Hawke's Bay Power Consumers' Trust for the year ended 31 March 2017. Consolidated Accounts of the Trust, incorporating all trading activities of Unison Networks Limited, are summarised later in this report.

WHAT THE TRUST DOES

The Trustees role is to hold the shares for the benefit of its consumer-owners and also to ensure the value of their investment is protected and enhanced. We monitor the operational and financial performance of the Company by measuring results against the Company's business plan and Statement of Corporate Intent progressively during the year. In this way we are alert to any variations to the outcomes that have been agreed with the Board.

As well as sharing in financial dividends from Company profits, consumer-owners have the benefit of knowing their interests are looked after, from a customer perspective that provides a high quality network and delivers a secure and reliable supply of electricity.

Key tasks of the Trust are to:

- Act in the best interests of the consumers, as owners, and exercise their rights as shareholders.
- Appoint Unison's Board of Directors and monitor their performance and the performance of the Company.
- Determine annually the amount of Trust funds to be paid to consumer-owners as a dividend or in other ways.
- Approve Unison's annual business goals and financial objectives.
- Manage and account for the financial affairs of the Trust.
- Hold a public meeting each year to report on the operations and financial performance of the Trust.
- Review the ownership of Unison's shares every five years, through a public consultative process.

TRUST ACTIVITIES

Communications - The Trust communicates matters of interest to consumers, through local media.

Home insulation supported – Again this year, the Trust joined with Smart Energy Solutions to facilitate insulation and energy efficiency advice in a selection of older Hawke's Bay homes. The Trust's contribution of just under \$290,000 gave access to EECA funded programmes, to enable the retrofit of approximately 500 homes across the region. The commitment to this programme is continuing.

Grant for electric blanket tests – For the last eight years the Trust has offered a 50% discount on the normal price for testing electric blankets for consumers connected to Unison's network in the Hastings District and Napier City areas. This operates throughout the year to give consumers flexibility when they choose to have blankets tested.

Consumer Dividends \$8.8 million in 2016 – At the Trust's annual public meeting on 22 July 2016 we received a cheque from Unison for \$9.683 million, exclusive of imputation credits. In November 2016 Trustees distributed a dividend of \$8.836 million to consumer-owners. Just under 60,000 dividend cheques were paid to consumers. Each payment was for \$150, with tax credits attached – to a maximum of three cheques per customer.

Working with Directors - During the year Trustees have been updated on Company activities and held meetings with Directors as opportunities for further developing the business have been considered.

Another Successful Year for Unison in 2017: More Dividends for Consumers - Unison Networks has had another successful year to 31 March 2017 in both operational activities and financial outcomes. Therefore, we are pleased to announce there will be another distribution to consumers by cheque later this year.

When we paid out dividend cheques to consumers last year we had hundreds of consumers with different names on the power account, and on the bank account, into which the cheque was to be banked. This caused delays to people getting use of the money. A special message to consumers - the name on the power account must be that of the person (or business) connected to Unison's Hawke's Bay network, and who is responsible for paying the account. Therefore, that person must have a bank account in the same name. Only those persons (or businesses) are beneficiaries of the Trust and we can only pay dividends to them. **We urge consumers to make sure the same name is on the power account and at the bank when we pay out the next cheque later in the year.**

\$144 Million to Consumers in 18 years – With another dividend to be distributed this year the direct financial benefits consumers have had from Trust ownership since 1999 will be more than \$144 million. Trust ownership has also brought other benefits through increased investment in the safety and security of the network, ongoing and major improvements in reliability of supply, progressive undergrounding of overhead power lines, improvement to rural networks and energy efficiency and safety initiatives – such as the ongoing subsidised electric blanket testing.

Compliance with Guidelines for access to information by beneficiaries

The Guidelines, which all electricity trusts are required to adopt, provide for Trust beneficiaries to have access to information, to attend public meetings of the Trust, and to have access to a complaints process for dealing with refusals to supply information or allow access to public meetings.

COMPANY PERFORMANCE 2016-2017

Compliance: In the 2016-2017 year trading results were up significantly on the previous year. Total group revenue for the year was \$224.5 million, an increase of \$11 million on the previous year and the net profit before tax increased to \$56.5 million from \$33.9 million. Much of this increase was due to an unrealised gain of \$6.1 million from favourable valuation movements on financial instruments during the year compared to a loss of \$11.2 million in the previous year.

Shareholder value showed a solid increase of \$33 million or 9.2% increasing to \$392 million. A number of significant events, particularly the August storm, resulted in network performance failing to meet the targets for the year.

Ratio of Consolidated Shareholders' Funds to Total Assets

- The minimum target ratio of consolidated shareholders' funds to total assets is set at not less than 40%.
- Target goal for 2016 – 51%

Compliance: The minimum target ratio was achieved and the target goal was achieved. The actual ratio met was 51.8%.

Performance Targets

Unison's 2017 Statement of Corporate Intent sets targets for both financial and network performance.

Compliance: The Company met its financial targets but as a result of adverse weather events did not achieve its performance targets. The Trustees are however satisfied with the trading results and the network performance.

	Statement of Corporate Intent	
	2017 Targets	Actual Results
		2017
FINANCIAL		
Profit before interest, taxation, depreciation, amortisation and financial instruments as a percentage of average assets employed	12.3%	12.6%
Profit before interest, taxation and financial instruments as a percentage of average assets employed	8.1%	8.8%
Total line operating costs per consumer	\$326	\$316
NETWORK PERFORMANCE		
SAIDI – System Average Interruption Index (Minutes)	<99.1	125.0
SAIFI – System Average Interruption Frequency Index	<1.93	2.02
HEALTH AND SAFETY PERFORMANCE		
• Medical Treatment Injuries in focus areas	Nil	1
• Number of Public Accidents	Nil	Nil

COMPLIANCE WITH OTHER MATTERS

The Statement of Corporate Intent also details matters relating to the Company's scope of activities, dividend distributions, accounting policies, information to be provided to shareholders and administrative matters relating to procedures and communications with the Trust, as the sole shareholder. We are satisfied that in all these matters the Company has complied with the Statement of Corporate Intent.

Additional information on Unison's performance for the year ended 31 March 2017 can be found in the company's Annual Report or on Unison's website at www.unison.co.nz, or obtained from Unison direct.

DIRECTORS

The strength of the functional relationship Trustees have with the Unison Chairman and Board of Directors is appreciated. During the year Paul Callow resigned from the Board and we were pleased to appoint Rod Wheeler to fill that vacancy. Rod's formal qualifications are in finance but his experience in both management and governance is extensive and includes broad exposure to the electrical industry, both in NZ and internationally.

Board Chairman, Kevin Atkinson, retires at the AGM this year after 18 years as a Director of the company. Trustees have appreciated the skill, perspective and commitment, Kevin has brought to his responsibilities, particularly in his years as Chairman. The company has progressed well under his leadership.

During the year the role of Duty Chairman was re-established with Directors electing Philip Hocquard to take this responsibility. Philip had been a Unison Director for eight years.

The vacancy created by the retirement of Kevin Atkinson is being filled with the appointment of Christine Spring who joins the Board from August. Christine is a Civil Engineer, and her experience in relation to major infrastructure is extensive.

Both Rod Wheeler and Christine Spring are Hawke's Bay residents and accordingly, Unison customers.

LOOKING AHEAD

The Company is responding very capably in changing times and conditions within the electricity sector and there will be ongoing challenges and opportunities ahead. Trustees will continue to support initiatives that improve Unison's business to the extent necessary to meet the needs of consumers and which also enhance the value returns to the shareholders.

THANKS

We commend and thank the Chief Executive and all employees for their achievements and ongoing commitment to the performance and success of Unison. We value the assistance and support that has been given to us. Our special thanks to the Trust Secretary, Stephen Dine, and his team at Brown Webb Richardson, for the courtesies and help readily given to us.

TRUSTEES' CONTRIBUTIONS

The current Trustees are operating well as a team and I thank each of them for their contributions on behalf of consumers, during the year. Arch Buntain and I complete nine years as Trustees and accordingly are not eligible for re-election. The election for the new Board of Trustees is being held in October.

**JOHN NEWLAND
CHAIRMAN**

On behalf of the Trustees – Arch Buntain, Helen Francis, Ken Gilligan and Diana Kirton.

MORE TRUST INFORMATION

Detailed information about the Trust and its work is accessible on the internet, under www.hbpowertrust.co.nz, or can be viewed or is available from the Trust's offices, C/- Brown Webb Richardson, 111E Avenue Road, Hastings and also at Unison's offices, corner Omahu Road and Oak Avenue, Hastings.

Hawke's Bay Power Consumers' Trust

**Income Statement
for the year ended 31 March 2017**

	<i>Note</i>	<i>This Year</i> \$	<i>Last Year</i> \$
Investment and Other Income			
Dividends Received	7	9,683,200	9,550,310
Interest Received		<u>114,600</u>	<u>193,690</u>
		9,797,800	9,744,000
Expenses			
Audit Fees		8,040	8,625
Consultancy		24,081	-
Distribution Expenses		51,496	52,986
Energy Efficiency Projects		305,500	383,579
General Expenses		8,837	12,430
Insurance		5,352	5,400
Interest		-	34
Public Relations		24,413	23,956
Secretarial & Accounting Fees		51,060	51,060
Trustees Expenses		9,622	12,875
Trustees Remuneration		<u>140,440</u>	<u>140,680</u>
Total Expenses		628,841	691,625
Net Income before Tax		<u>9,168,959</u>	<u>9,052,375</u>
Tax Expense	8	-	-
Net Income for the Year		<u><u>9,168,959</u></u>	<u><u>9,052,375</u></u>

**Statement of Comprehensive Income
for the year ended 31 March 2017**

	<i>Note</i>	<i>This Year</i> \$	<i>Last Year</i> \$
Net Income for the year		9,168,959	9,052,375
Other comprehensive income			
Other Comprehensive Income for Year		-	-
Total comprehensive income		<u><u>9,168,959</u></u>	<u><u>9,052,375</u></u>

This Statement is to be read in conjunction with the accompanying Notes

Hawke's Bay Power Consumers' Trust

Statement of Movements in Equity for the year ended 31 March 2017

	<i>This Year</i>	<i>Last Year</i>
	\$	\$
Credits for year:		
Net Income For Year	9,168,959	9,052,375
Distribution Over-provided & Unclaimed Money	351,900	243,951
	<hr/>	<hr/>
	9,520,859	9,296,326
Debits for year:		
Previous Distribution Cheques Presented	99,005	29,525
Distribution to Owners	9,495,430	10,586,066
	<hr/>	<hr/>
	9,594,435	10,615,591
Debit for year	<hr/>	<hr/>
	(73,576)	(1,319,266)
Opening Credit Balance	65,674,293	66,993,559
Closing Credit Balance	<hr/>	<hr/>
	<u>65,600,717</u>	<u>65,674,294</u>


This Statement is to be read in conjunction with the accompanying Notes and the Accountant's Statement

Hawke's Bay Power Consumers' Trust


Balance Sheet as at 31 March 2017

	<i>Note</i>	<i>This Year</i> \$	<i>Last Year</i> \$
ASSETS			
Current Assets			
Cash and Cash Equivalents		2,171,206	2,135,412
Interest Accrued		5,413	5,001
Payments in Advance		4,955	4,902
Inland Revenue Department	8	-	34
		2,181,573	2,145,349
Non-Current Assets			
Unison Networks Limited Shares Held		64,000,000	64,000,000
Total Assets		66,181,573	66,145,349
LIABILITIES			
Current Liabilities			
Accounts Payable		207,206	119,155
Provision for Distribution		373,650	351,900
Total Liabilities		580,856	471,055
EXCESS ASSETS OVER LIABILITIES		65,600,717	65,674,294
EQUITY			
Retained Earnings		600,717	674,294
Trust Capital		65,000,000	65,000,000
TOTAL EQUITY		65,600,717	65,674,294

For and on behalf of Trustees



 Trustee
 Date 27-7-17



 Trustee

Hawke's Bay Power Consumers' Trust

**Cash Flow Statement
for the year ended 31 March 2017**

	<i>This Year</i> \$	<i>Last Year</i> \$
Cash Flows from Operating Activities		
Cash was provided from:		
Dividends Received	9,683,200	9,550,310
Interest Received	114,187	242,177
Taxation Refunds Received	<u>34</u>	<u>99</u>
	9,797,421	9,792,586
Cash was disbursed to:		
Expenses Paid	540,843	606,128
Taxation Paid	<u>-</u>	<u>34</u>
	540,843	606,162
Net Cash Flow from Operations	<u>9,256,578</u>	<u>9,186,424</u>
Cash Flows From Financing Activities		
Cash was disbursed to:		
Previous Distribution Cheques Presented	99,005	29,525
Distributions Paid	<u>9,121,780</u>	<u>10,234,166</u>
	9,220,785	10,263,691
Net Cash Flow from Financing	<u>(9,220,785)</u>	<u>(10,263,691)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>35,793</u>	<u>(1,077,267)</u>
Represented By:		
Opening Cash and Cash Equivalents	2,135,412	3,212,680
Net Increase (Decrease) in Cash and Cash Equivalents	35,793	(1,077,267)
Closing Cash and Cash Equivalents	<u><u>2,171,205</u></u>	<u><u>2,135,413</u></u>

This Statement is to be read in conjunction with the accompanying Notes

Hawke's Bay Power Consumers' Trust

Notes to the Financial Statements for the year ended 31 March 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The assets and liabilities of the former Hawke's Bay Electric Power Board were vested in a new energy company (Hawke's Bay Power Distribution Limited) on 1 June 1993 in accordance with the Establishment Plan which was approved by the Governor General by Order in Council on the 10th day of May 1993. Hawke's Bay Power Distribution Limited changed its name to Hawke's Bay Network Limited on 19 January 1999 following reorganisation of the business in accordance with the Electricity Reform Act 1998. Hawke's Bay Network Limited changed its name to Unison Networks Limited on the 17 April 2003.

The Establishment Plan also provided for the establishment of the Hawke's Bay Power Consumers' Trust, the reporting entity for these financial statements, and the allocation of all shares in the Company to the Trustees.

The objective of the Trust is to hold the shares in the company on behalf of the Consumers' and distribute to the Consumers' in their capacity as owners, the benefits of ownership of the shares in the Company and to carry out future ownership reviews involving the public consultation in accordance with the terms of the Deed establishing the Trust.

The Trust is domiciled and registered in New Zealand.

For the purposes of complying with generally accepted accounting practice in New Zealand ("NZ GAAP"), the Trust is a for-profit entity. These financial statements have been approved for issue by the Trustees on 27 July 2017.

B. Basis of Preparation

The financial statements of the Trust have been prepared in accordance with New Zealand generally accepted accounting practice (NZ GAAP). They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), and other applicable New Zealand Financial Reporting Standards, as appropriate for profit-orientated entities.

Statutory Basis

The financial statements have been prepared in accordance with the requirements of the Electricity Industry Act 2010 and the Financial Reporting Act 2013, and they comply with those Acts.

The financial statements have been prepared on the basis of historical cost, except where otherwise stated.

The financial statements are presented in New Zealand dollars, which is also the Trust's functional currency. The financial statements are rounded to the nearest dollar.

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Trusts accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in the notes to the Financial Statements.

There are no new standards, interpretations or amendments, which are not yet effective and have

Hawke's Bay Power Consumers' Trust

Notes to the Financial Statements for the year ended 31 March 2017

not been adopted early in these financial statements, that will or may have a significant effect on the Trust's future financial statements.

C. Goods & Services Tax

The Trust is not registered for GST and therefore the financial statements are prepared on a GST inclusive basis.

D. Income Tax

Income tax expense includes components relating to current tax and deferred tax.

Current tax is the amount of income tax payable based on the taxable profit for the current year. Current tax also includes adjustments to income tax payable in respect of prior years.

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

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset or liability in a transaction that affects neither accounting profit nor taxable profit.

Current tax and deferred tax are measured using tax rates (and tax laws) that have been enacted or substantively enacted at balance date.

Current and deferred tax is recognised against the profit or loss for the period, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

E. Revenue

Dividends received are recognised as revenue when the right to receive payment is established.

Interest received is recognised as revenue as it is earned.

F. Provision for Distribution

A provision is recognised at the time the distributions become legally payable by the Trust. The provision at balance date represents unclaimed distributions at year-end.

G. Financial Instruments

The Trust initially recognises financial instruments when it becomes a party to the contractual provisions of the instrument.

The Trust derecognises a financial asset when the contractual rights to the cash flows from the asset expire.

The Trust derecognises a financial liability when its contractual obligations are discharged, cancelled, or expire.

Hawke's Bay Power Consumers' Trust

Notes to the Financial Statements **for the year ended 31 March 2017**

H. Financial Assets

The Trust classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held to maturity investments and available for sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date. At balance date, the Trust only had financial assets classified as loans and receivables.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Trust provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after balance date, which are classified as non-current assets. The Trust's loans and receivables comprise cash and cash equivalents.

I. Cash and Cash Equivalents

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

J. Investments

Investments in Unison Networks Limited are recorded at values placed on them as part of the 1993 Establishment Plan.

K. Accounts Payables

These amounts represent liabilities for goods and services provided to the Trust prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Accounts payables are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

L. Consolidation

The Financial Statements of Unison Networks Limited are not consolidated into this financial report of the Trust. A separate set of Consolidated Financial Statements has been prepared and is available on the Trust's website.

M. Changes in Accounting Policies

There have been no significant changes in accounting policies during the current year. Accounting policies have been applied on a basis consistent with prior year.

Hawke's Bay Power Consumers' Trust

Notes to the Financial Statements for the year ended 31 March 2017

2. **AUDIT**

These financial statements have been subject to audit, please refer to Auditor's Report.

3. **CONTINGENT LIABILITIES**

At balance date there are no known contingent liabilities (2016:\$0). In the event of a legitimate claim being made by a Consumer to share in the distribution made in March 1999, December 2004, October 2006, October 2007, October 2008, October 2009, October 2010, August 2011, November 2012, November 2013, August 2014 and November 2015 the Trust will settle the claim from general funds.

4. **FINANCIAL INSTRUMENTS**

The Trust is party to financial instruments as part of its normal operations. These financial instruments include bank accounts, advances, accounts receivable, accounts payable. All financial instruments are recognised in the balance sheet with any movements recognised in either profit or loss or other comprehensive income depending on their classification. The fair values of financial instruments are considered to be their carrying value as disclosed except that the estimated fair value of shares in Unison Networks Limited based upon net tangible assets of the Company at 31 March 2017 is \$343,732,000.

The Trust is exposed to the following financial risks: credit risk and cash flow interest rate risk.

Credit risk is the risk of financial loss to the Trust if a counterparty to a financial instrument fails to meet its contractual obligations. The Trust's exposure to credit risk is in relation to cash and cash equivalents. All cash and cash equivalents are held with registered trading banks with a minimum credit rating of "A". Funds are spread across five trading banks to avoid a concentration of risk.

Cash flow interest rate risk arises through the fluctuation of market interest rates affecting the Trust's return on investment. Funds are held with a variety of trading banks either on call or short term deposits with an original maturity of 12 months or less. The Trust does not rely on the interest income to continue operations and therefore the overall risk is not considered significant.

5. **COMMITMENTS**

Hawke's Bay Power Consumers' Trust has commitments as at 31 March 2017 to Butler & Hewitt Limited and Hector Jones Limited for electric blanket testing.

6. **RELATED PARTY TRANSACTIONS**

Dividends totalling \$9,683,200 (2016 \$9,550,310) were received from Unison Networks Ltd during the year.

7. **DIVIDEND**

During the financial year an imputed dividend of \$9,683,200 (\$13,448,889 inclusive of imputation credits) was received in respect to the 2016/2017 financial year (2016: \$13,264,319 fully imputed dividend).

Hawke's Bay Power Consumers' Trust

**Notes to the Financial Statements
for the year ended 31 March 2017**

	<i>This Year</i>	<i>Last Year</i>
	\$	\$
8. INCOME TAX		
a Taxation		
Surplus (Deficit) before Tax	<u>\$9,168,959</u>	<u>\$9,052,375</u>
Prima Facie tax expense @ 33%	3,025,756	2,987,284
Plus/(less) tax effect of :-		
Non-deductible expenses	100,815	126,581
Distributions to Beneficiaries	(3,133,484)	(3,109,359)
Unrecognised Tax Losses	55,670	(4,506)
Imputation Credit Adjustment	<u>(48,757)</u>	<u>-</u>
Tax Expense/(Benefit)	<u><u>\$0</u></u>	<u><u>\$0</u></u>
	<i>This Year</i>	<i>Last Year</i>
	\$	\$
Current Tax	-	-
Deferred Tax	-	-
Tax Expense	<u><u>-</u></u>	<u><u>-</u></u>
A deferred tax asset has not been recognised in relation to tax losses of \$1,029,434 (2016: \$860,736).		
b Taxation Payable/(Receivable)		
Opening Balance	(34)	(99)
Taxation - Refunds Received	34	99
RWT Paid	-	(34)
Taxation Payable/(Receivable)	<u><u>-</u></u>	<u><u>(\$34)</u></u>
9. RECONCILIATION OF THE NET SURPLUS AFTER TAXATION WITH THE NET CASH FLOWS FROM OPERATING ACTIVITIES		
Reported Surplus after taxation	<u>9,168,959</u>	<u>9,052,375</u>
	9,168,959	9,052,375
Add (Less) movements in working capital items:		
Increase (Decrease) in accounts payable	88,051	85,443
Decrease (Increase) in taxation refund due	34	65
(Increase) Decrease in interest accrued	(412)	48,488
(Increase) Decrease in pre-payments	<u>(53)</u>	<u>53</u>
Net Cash Flow from Operating Activities	<u><u>\$9,256,578</u></u>	<u><u>\$9,186,424</u></u>

Hawke's Bay Power Consumers' Trust

Notes to the Financial Statements for the year ended 31 March 2017

	<i>This Year</i>	<i>Last Year</i>
	\$	\$
10. RETAINED EARNINGS MOVEMENT		
Movements in retained earnings were as follows:		
Opening Balance	<u>674,293</u>	<u>1,993,559</u>
Profit for Year	9,168,959	9,052,375
Distributions to Beneficiaries	(9,495,430)	(10,586,066)
Previous Distribution Cheques Presented	(99,005)	(29,525)
Distribution Over-provided & Unclaimed Money	<u>351,900</u>	<u>243,951</u>
Closing Balance	<u><u>600,717</u></u>	<u><u>674,293</u></u>
11. KEY MANAGEMENT PERSONNEL		
Key management personnel compensation for the period and financial year are set out below. The key management personnel are the Trustees of the Trust who have the authority for the strategic direction and management of the Trust. Key management services are also provided by Brown Webb Richardson Limited through the provision of secretarial services.		
Short Term Benefits	138,000	138,000
Post Employment Benefits	-	-
Other Long Term Benefits	-	-
Total	<u><u>\$138,000</u></u>	<u><u>\$138,000</u></u>
The Trust has a contract with Brown Webb Richardson Limited for the provision of secretarial services to the Trust. For the year ended 31 March 2017 the amount of compensation paid or payable to Brown Webb Richardson Limited for the provision of the services was \$51,060. (2016 \$51,060).		
12. NOTES SUPPORTING CASH FLOW STATEMENT		
Cash and cash equivalents for the purpose of the cash flow statement comprises:		
Cash at bank available on demand:		
Westpac Cheque Account	275,965	43,772
Westpac Distribution Account	63,707	33,428
Westpac Online Saver Account	848,670	534,215
ASB Fastsaver	<u>2,369</u>	<u>2,395</u>
	1,190,711	613,810
Short-term Deposits:		
BNZ - Term Deposit	580,495	562,462
Rabobank - Term Deposit	-	559,141
Westpac - Term Deposit	<u>400,000</u>	<u>400,000</u>
	980,495	1,521,602
Total Cash and Cash Equivalents	<u><u>2,171,206</u></u>	<u><u>2,135,412</u></u>

13. SIGNIFICANT EVENTS OCCURRING AFTER BALANCE DATE

There have been no significant reporting events subsequent to balance date.

Independent Auditor's Report

To the readers of Hawke's Bay Power Consumers' Trust's financial statements for the year ended 31 March 2017

The Auditor-General is the auditor of Hawke's Bay Power Consumers' Trust (the Trust). The Auditor-General has appointed me, Julian Tan, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements of the Trust on his behalf.

Opinion

We have audited the financial statements of the Trust on pages 6 to 15, that comprise the balance sheet as at 31 March 2017, the income statement, statement of comprehensive income, statement of movements in equity and cash flow statement for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information.

In our opinion, the financial statements of the Trust:

- present fairly, in all material respects:
 - its financial position as at 31 March 2017; and
 - its financial performance and cash flows for the year then ended; and
- comply with generally accepted accounting practice in New Zealand in accordance with New Zealand equivalents to International Financial Reporting Standards.

Our audit was completed on 27 July 2017. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Trustees and our responsibilities relating to the financial statements, we comment on other information and we explain our independence.

Basis for opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

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

Responsibilities of the Trustees for the financial statements

The Trustees are responsible on behalf of the Trust for preparing the financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand. The Trustees are responsible for such internal control as they determine is necessary to enable them to prepare financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustees are responsible on behalf of the Trust for assessing the Trust's ability to continue as a going concern. The Trustees are also responsible for disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting, unless the Trustees intend to wind up the Trust or to cease operations, or have no realistic alternative but to do so.

The Trustees' responsibilities arise from the Electricity Industry Act 2010 and the Trust Deed of the Trust.

Responsibilities of the auditor for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of these financial statements.

We did not evaluate the security and controls over the electronic publication of the financial statements.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risk of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trustees.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Trustees and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant

doubt on the Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements, or if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Trust to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Trustees regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Trustees are responsible for the other information. The other information comprises the information included on pages 1 to 5, but does not include the financial statements, and our auditor's report thereon.

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

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

Independence

We are independent of the Trust in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

Other than in our capacity as auditor, we have no relationship with, or interests in, the Trust.



Julian Tan
Audit New Zealand
On behalf of the Auditor-General
Palmerston North, New Zealand