



Annual Report 2018



Directory

Northpower Electric Power Trust

Chairman:

E A Angelo, CA Whangarei

Deputy Chairman:

R J Drake, MNZM Kaipara

Other Trustees:

I M Durham BBM, Grad Dip (Fin) Whangarei

S K McKenzie Kaipara

K R Provan Whangarei

W E Rossiter, QSM Whangarei

P M W Yovich, CA Whangarei

Secretariat:

B A Martin, CA Plus Chartered Accountants Limited

Bankers:

ASB Whangarei

Auditor:

BDO Northland

Northpower Limited

Chairman:

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

Directors:

D J Ballard, BEng (Hons), MBA

R J Black, BEng (Civil) (Hons), FEng, FIPENZ
(retired 31 July 2017)

R C Booth, MBA, Dip Ag

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

M B James, BCom, CA

L S Kubiak


M D Trigg, BEng, Chemicals and Materials

Northpower Electric Power Trust Annual Report

For the Year Ended 31 March 2018

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Trustees' Report

01

The Trustees' role

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

Trustees' responsibilities include: holding the shares in Northpower Limited on behalf of the consumers of the Kaipara and Whangarei Districts; receiving dividends from Northpower Ltd and distributing that income for the benefit of the consumers; commenting to the Directors on Northpower's Statement of Corporate Intent (SCI); appointing Directors of Northpower Ltd and monitoring their performance with respect to the Company's SCI; exercising

the rights and responsibilities of diligent shareholders; meeting with the Directors on a regular basis to consider the performance of Northpower Ltd; and reporting annually to the Trust's beneficiaries.

Seven Trustees are elected every three years by the public of the Kaipara and Whangarei Districts to hold the shares in Northpower Ltd on behalf of the Trust's beneficiaries, who are the electricity consumers of the districts. The Northpower Electric Power Trust (NEPT) was registered in 1993. The last election for Trustees was held in November 2016.

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



Distribution to consumers

A distribution of \$80 per consumer (those people connected to Northpower Ltd's electricity network in Kaipara and Whangarei) was paid to consumers in December 2017 by way of a credit to all consumer beneficiaries electricity accounts.

Directorship

At each Annual General Meeting of Northpower Ltd, the company's constitution requires that one third of the Directors will retire and may seek reappointment. In July 2017, Richard Booth and Michael James retired by rotation and were reappointed to the Board by the Trustees. Russell Black resigned on 31 July 2017.

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



Trustees' Report

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Working with Directors

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

Regulatory and industry specific issues

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

Trustees keep abreast of regulatory and industry issues through focus meetings with industry representatives; regular contact with Directors on significant issues as they arise and via ETNZ. The Northpower Trust Chairman, Erc Angelo, recently retired as the Deputy Chair of ETNZ, after six years on that Board.



Consumer contact

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

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

Financial report

The Northpower Trust 2018 financial statements are required to be consolidated with those of Northpower Ltd. The Trust's results are presented in the 'Trust' column, while the 'Consolidated' column reflects the results of the Company and the Trust.

BDO Northland has completed the audit of the Trust's financial report and consumers will have the opportunity to approve the appointment of BDO Northland as the Trust's auditors for the year ending 31 March 2019 at the 2018 AGM on 31 July 2018.

Trustees' Statements

For the year ended 31 March 2018

The Trustees present the summary annual report of the Northpower Electric Power Trust, incorporating the summary financial statements for the year ended 31 March 2018. The full annual report and audited financial statements are available at Northpower's website: northpower.com/company/about-us/ownership.

Principal activities

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

Trustees holding office during the year

The following Trustees held office during the year:

Ercoli Angelo
 Richard Drake
 Irene Durham
 Ross Provan
 Sheena McKenzie
 William Rossiter
 Paul Yovich

Trustee remuneration and meeting fees paid were as follows

	2018	2017
	\$	\$
E A Angelo	48,330	49,510
R J Drake	34,771	35,718
A J Davies-Colley	0	17,917
I M Durham	27,100	27,390
S K McKenzie	27,540	28,270
K R Provan	27,320	28,490
W E Rossiter	27,540	27,390
P M W Yovich	27,760	9,033
	220, 361	223,718

Auditor of the Trust

The appointed auditor of the Trust for the year ended 31 March 2018 is BDO Northland.

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

For and on behalf of the Board of Trustees.

Ercoli Angelo
Chairman



Summary Income Statement

For the year ended 31 March 2018

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	2018	2017
Income		
Dividend Received	8,000,000	5,000,000
Interest Received	98,863	91,574
Total Other Income	8,098,863	5,091,574
Less: Operating Expenses		
AGM expense	6,140	6,371
Audit fees	18,723	18,473
Bank charges	200	190
Conference expenses & travel	6,108	11,832
Consumer call centre	774	917
Director recruitment	2,270	62,227
Director remuneration review	679	0
Distribution administration expense	21,192	22,167
Election expense	0	110,449
ETNZ levy	9,137	6,939
General expenses	0	254
Insurance	7,195	2,959
Meeting expenses	1,376	2,289
Ownership review expenses	6,402	4,337
Secretarial expenses	64,068	37,260
Trustee fees & allowances	220,361	223,717
Trustee travel expenses	4,470	4,505
Total Operating Expenses	369,093	514,883
Profit Before Taxation	7,729,771	4,576,691
Adjustments and Taxation for the Year		
Provision for Taxation	813,602	207,531
Total Adjustments and Taxation for the Year		
Net Profit	6,916,169	4,369,160
Distribution to Consumers	4,577,390	4,539,679
ASB Bank Deposits	382,347	475,021
Trust Fees and Allowances		
E Angelo	48,330	
R Drake	34,771	
I Durham	27,100	
S McKenzie	27,540	
R Provan	27,320	
W Rossiter	27,540	
P Yovich	27,760	
Total	220,361	

Summary Comprehensive Income Statement

For the year ended 31 March 2018

	Notes	CONSOLIDATED		TRUST	
		2018 \$000s	2017 \$000s	2018 \$000s	2017 \$000s
Continuing Operations					
Revenue	2a	325,145	290,517	8,099	5,092
Other income	2b	1,218	4,521	-	-
Materials/supplies expenses		129,326	121,114	-	-
Employee benefits expenses		115,779	102,275	-	-
Transmission costs		21,284	19,149	-	-
Depreciation and amortisation expense		15,802	15,904	-	-
Other expenses		11,905	8,073	369	516
Finance costs		3,408	3,964	-	-
Share of (profit) in joint venture		(592)	(752)	-	-
Profit before income tax		29,451	25,311	7,730	4,576
Income tax expense		(9,612)	(7,103)	(813)	(208)
Profit for the year from continuing operations attributable to the equity holders of the trust		19,839	18,208	6,917	4,368
(Loss)/profit for the year from discontinued operations	3	2,475	(21,218)	-	-
(Loss)/profit for the year attributable to the equity holders of the trust		22,314	(3,010)	6,917	4,368
Other comprehensive income					
<i>Items that may be reclassified to profit or loss</i>					
Exchange differences on translation of foreign operations		190	(880)	-	-
<i>Items that will not be reclassified to profit or loss</i>					
Net fair value gains on investments measured at FVTOCI		-	18	-	-
Net fair value gains on derivatives designated as FVTPL attributable to changes in credit risk		84	34	-	-
Other comprehensive (loss)/income for the period net of tax		274	(828)	-	-
Total comprehensive (loss)/income for the period		22,588	(3,838)	6,917	4,368

The full audited financial statements are available at Northpower's website: northpower.com/company/about-us/ownership.

Summary Balance Sheet

As at 31 March 2018

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	Notes	CONSOLIDATED		TRUST	
		2018 \$000s	2017 \$000s	2018 \$000s	2017 \$000s
Assets					
Current Assets					
Cash and cash equivalents		4,121	2,516	382	475
Trade and other receivables		38,240	38,029	8,100	5,066
Work in progress - construction contracts		18,365	26,578	-	-
Inventory		9,524	10,050	-	-
Tax refund due		119	168	119	168
		70,369	77,341	8,601	5,709
Assets classified as held for sale		-	8,919	-	-
Total current assets		70,369	86,260	8,601	5,709
Non-current assets					
Other financial assets		32	883	-	-
Investment in subsidiaries		-	-	35,989	35,989
Assets under construction		16,699	9,844	-	-
Goodwill and intangible assets		11,551	12,217	-	-
Investments accounted for using the equity method		26,534	23,861	-	-
Derivative financial instruments		-	72	-	-
Investment property		-	735	-	-
Property, plant and equipment		328,035	321,001	-	-
Total non-current assets		382,851	368,613	35,989	35,989
Total Assets		453,220	454,873	44,590	41,698
Liabilities					
Current liabilities					
Borrowings		-	-	-	-
Trade and other payables		35,241	31,723	22	25
WCE closure provisions		319	10,694	-	-
Provision for tax		6,140	5,736	-	-
Derivative financial instruments		45	-	-	-
Employee entitlements		14,782	9,355	-	-
		56,527	57,508	22	25
Liabilities directly associated with assets classified as held for sale		-	1,140	-	-
Total current liabilities		56,527	58,648	22	25
Non-current liabilities					
Employee entitlements		905	851	-	-
Borrowings		61,188	79,900	-	-
Deferred revenue		2,250	-	-	-
Derivative financial instruments		2,913	2,200	-	-
Deferred taxation		55,816	57,664	555	-
Total non-current liabilities		123,072	140,615	555	-
Total Liabilities		179,599	199,263	577	25
Net Assets		273,621	255,610	44,013	41,673
Equity					
Trust Capital		35,989	35,989	35,989	35,989
Asset revaluation reserve		37,467	37,885	-	-
Other reserves		184	100	-	-
Foreign currency translation reserve		(3,037)	(3,227)	-	-
Retained earnings		203,018	184,863	8,024	5,684
Equity attributable to equity holders of the Trust		273,621	255,610	44,013	41,673
Total Equity		273,621	255,610	44,013	41,673

The full audited financial statements are available at Northpower's website:
northpower.com/company/about-us/ownership.

Summary Statement of Changes in Equity

For the year ended 31 March 2018

	Trust Capital \$000s	Retained Earnings \$000s	Other Reserves \$000s	Asset Revaluatn Reserve \$000s	Foreign Cur Translatn Reserve \$000s	Total \$000s
Consolidated						
As at 1 April 2017	35,989	184,863	100	37,885	(3,227)	255,610
Profit for the period	-	22,314	-	-	-	22,314
Other comprehensive income for the period	-	-	84	-	190	274
Transfer from Asset Revaluation Reserve	-	814	-	(814)	-	-
Deferred Tax on above	-	(396)	-	396	-	-
Total comprehensive income for the period	-	22,732	84	(418)	190	22,588
Transactions with owners in their capacity as owners						
Distributions paid to consumer beneficiaries	-	(4,577)	-	-	-	(4,577)
As at 31 March 2018	35,989	203,018	184	37,467	(3,037)	273,621
As at 1 April 2016	35,989	189,978	48	40,072	(2,347)	263,740
Loss for the period	-	(3,010)	-	-	-	(3,010)
Other comprehensive income for the period	-	-	52	-	(880)	(828)
Transfer from Asset Revaluation Reserve	-	2,388	-	(2,388)	-	-
Deferred Tax on above	-	-	-	201	-	201
Total comprehensive income for the period	-	(622)	52	(2,187)	(880)	(3,637)
Transactions with owners in their capacity as owners						
Distributions paid to consumer beneficiaries	-	(4,493)	-	-	-	(4,493)
As at 31 March 2017	35,989	184,863	100	37,885	(3,227)	255,610
Trust						
As at 1 April 2017	35,989	5,684	-	-	-	41,673
Profit for the period	-	6,917	-	-	-	6,917
Total comprehensive income for the period	-	6,917	-	-	-	6,917
Transactions with owners in their capacity as owners						
Distributions paid to consumer beneficiaries	-	(4,577)	-	-	-	(4,577)
As at 31 March 2018	35,989	8,024	-	-	-	44,013
As at 1 April 2016	35,989	5,809	-	-	-	41,798
Profit for the period	-	4,368	-	-	-	4,368
Total comprehensive income for the period	-	4,368	-	-	-	4,368
Transactions with owners in their capacity as owners						
Distributions paid to consumer beneficiaries	-	(4,493)	-	-	-	(4,493)
As at 31 March 2017	35,989	5,684	-	-	-	41,673

The full audited financial statements are available at Northpower's website: northpower.com/company/about-us/ownership.

Summary Cash Flow Statement

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For the year ended 31 March 2018

	CONSOLIDATED		TRUST	
	2018 \$000s	2017 \$000s	2018 \$000s	2017 \$000s
Operating activities				
Receipts from customers	344,447	331,985	1	-
Interest received	307	211	99	92
Dividends received	3,157	2,451	5,000	5,000
Payments to suppliers	(174,668)	(170,038)	(344)	(517)
Payments to employees	(116,120)	(128,805)	-	-
Interest paid	(3,685)	(4,164)	-	-
Income tax paid	(11,007)	(2,752)	(209)	(274)
Net GST paid	(3)	1,262	-	-
Net cash flows from operating activities	42,428	30,150	4,547	4,301
Investing activities				
Proceeds from sale of property, plant and equipment	11,168	12,637	-	-
Proceeds from sale of other financial assets	897	-	-	-
Investment in joint venture	(5,238)	(8,301)	-	-
Purchase of intangible assets	(1,767)	(1,280)	-	-
Purchase of property, plant and equipment	(23,734)	(16,232)	-	-
Net cash flows used in investing activities	(18,675)	(13,176)	-	-
Financing activities				
Repayment of borrowings	(16,558)	(10,900)	-	-
Payment of finance lease liabilities	(1,140)	(401)	-	-
Distributions to consumers	(4,640)	(4,447)	(4,640)	(4,447)
Net cash flows (used in)/from financing activities	(22,338)	(15,748)	(4,640)	(4,447)
Net increase in cash and cash equivalents	1,415	1,226	(93)	(146)
Net foreign exchange differences	190	(878)	-	-
Cash and cash equivalents at the beginning of the year	2,516	2,168	475	621
	4,121	2,516	382	475

The full audited financial statements are available at Northpower's website:
northpower.com/company/about-us/ownership.

Notes to the Summary Financial Statements

For the year ended 31 March 2018

1. General information

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

Northpower Limited (the Company) is a profit oriented limited liability company incorporated in New Zealand.

Northpower Limited is formed under the Energy Companies Act 1992 and registered under the Companies Act 1993. The summary financial statements presented are for The Northpower Electric Power Trust and the Group (or "the Group") as at, and for the year ended 31 March 2018. The Group consists of The Northpower Electric Power Trust, Northpower Limited and its subsidiaries Northpower Solutions Limited, Northpower LFC2 Limited, West Coast Energy Pty Limited and Northpower Western Australia Pty Limited along with a joint venture Northpower Fibre Limited.

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

- West Coast Energy Pty Limited is based in Western Australia. It operated an electricity contracting business that was closed during the year.
- Northpower Western Australia Pty Limited is based in Western Australia. It is an intermediate holding company and operates an acoustic testing business.
- Northpower Solutions Limited operates a contracting business.
- Northpower LFC2 Limited operates a telecommunications fibre business.

Basis of preparation

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

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

These summary financial statements have been extracted from the full audited financial statements authorised for issue by the Trustees of the Trust on 12 July 2018. The Trust's auditors, BDO Northland, expressed an unmodified audit opinion on the 31 March 2018 full financial statements.

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

Notes to the Summary Financial Statements

For the year ended 31 March 2018

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2. Revenue

	CONSOLIDATED		TRUST	
	2018 \$000s	2017 \$000s	2018 \$000s	2017 \$000s
a) Revenue				
Gross line revenues	76,595	69,370	-	-
Line contributions	4,179	2,643	-	-
Contracting work income	243,887	217,994	-	-
Dividend income	-	-	8,000	5,000
Interest income	307	211	99	92
Income from farming	177	299	-	-
	325,145	290,517	8,099	5,092
b) Other income				
Net gain on foreign exchange	-	213	-	-
Fair valuation gain on derivative instruments	-	1,416	-	-
Gain on sale of assets	633	2,499	-	-
Rent received	85	85	-	-
Sundry income	500	308	-	-
	1,218	4,521	-	-

Notes to the Summary Financial Statements

For the year ended 31 March 2018

3. Discontinued operations

West Coast Energy

During the year ended 31 March 2017 it became apparent that the Group was unable to make a sustainable profit from key contracts held by West Coast Energy Pty Limited and as a result in December 2016 a decision was made to close the business. The decision to close the business resulted in several restructuring provisions being recognised at 31 March 2017. The majority of closure activities are now complete and a provision remains at 31 March 2018 for any final defects that may be identified during the remainder of the defect liability period, which expires in July 2018 and other minor costs.

The Group did decide to continue with the acoustic testing work (Foresight). This work has continued under Northpower Western Australia Pty Limited with the company employing one person to manage this work. The results associated with these activities are included in continuing operations.

The results of the discontinued operations included in the profit for the year are set out below, and includes the West Coast Energy's business trading up until closure (30 June 2017) and the wash up of closure provisions.

Profit/(loss) for the year from discontinued operations

	CONSOLIDATED		TRUST	
	2018 \$000s	2017 \$000s	2018 \$000s	2017 \$000s
Consolidated only				
Revenue	8,827	47,143	-	-
Expenses	(6,352)	(68,361)	-	-
Profit/(loss) before income tax	2,475	(21,218)	-	-
Income tax expense	-	-	-	-
Profit/(loss) for the year from discontinued operations (attributable to equity holders of the Parent)	2,475	(21,218)	-	-

Discontinued activities include an impairment of Property, Plant and Equipment of nil (2017:\$4,946k).

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

Net cash flows from operating activities	(3,124)	(6,310)	-	-
Net cash flows from investing activities	3,430	(281)	-	-
Net cash flows from financing activities	(7,689)	(401)	-	-
Net cash flows	(7,383)	(6,992)	-	-

Notes to the Summary Financial Statements

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For the year ended 31 March 2018

4. Guarantees and Contingencies

	CONSOLIDATED		TRUST	
	2018 \$000s	2017 \$000s	2018 \$000s	2017 \$000s
Performance bonds in relation to contract work	30,199	20,463	-	-
Letters of credit in relation to contract work	-	150	-	-
Guarantee for leased premises	1,026	1,052	-	-
	31,225	21,665	-	-

Performance bonds relate to guarantees given to customers to guarantee completion of contracting work both in New Zealand and Australia. Letters of Credit for the prior year relate to guarantees given to off-shore customers for work completed. No liability was recognised in relation to the above guarantees as the fair value is considered immaterial.

Northpower is a participant in the DBP Contributors Scheme (the scheme) which is a multi-employer defined benefit scheme operated by National Provident Fund. If the other participating employers ceased to participate in the scheme, Northpower could be responsible for the entire deficit of the scheme (see note 31). Similarly, if a number of employers ceased to participate in the scheme, Northpower could be responsible for an increased share of the deficit.

Notes to the Summary Financial Statements

For the year ended 31 March 2018

5. Commitment

As lessee in operating leases

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

	CONSOLIDATED		TRUST	
	2018 \$000s	2017 \$000s	2018 \$000s	2017 \$000s
Within one year	9,411	8,160	-	-
After one year but not more than five years	24,814	25,126	-	-
More than five years	9,016	10,745	-	-
Total non-cancellable operating leases	43,241	44,031	-	-

As lessor in operating leases

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

Within one year	21	23	-	-
After one year but not more than five years	50	76	-	-
More than five years	-	-	-	-
Total non-cancellable operating leases	71	99	-	-

No contingent rents have been recognised during the period.

Capital commitments contracted for at balance sheet date	573	-	-	-
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Northpower is a party to certain options contracts which, when exercised, will require Northpower to purchase A shares in Northpower Fibre Ltd from Crown Fibre Holdings. As at balance date, the exercise of these options is considered to be unlikely since the conditions that trigger them have not been met. Furthermore, the value of these options is assessed to be not significant since its exercise price is equivalent to the market price on exercise date.

Notes to the Summary Financial Statements

For the year ended 31 March 2018

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6. Related parties

a. Subsidiaries

i Terms and Conditions

Northpower Limited pays a dividend to the Trust.

ii Outstanding Balances

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

	TRUST	
	2018 \$000s	2017 \$000s
Transactions during the year		
Dividends income from Northpower Limited	8,000	5,000
Outstanding balances as at 31 March		
Receivable from Northpower Limited	8,090	5,058

b. Joint Ventures

Transactions during the year		
Sales to joint venture	3,236	2,873
Purchases from joint venture	324	50
Dividend received from joint venture	3,157	1,826
Purchase of shares in joint venture	5,238	8,301
Other transactions	-	-
Outstanding balances as at 31 March		
Payable to joint venture	101	-
Receivable from joint venture	755	614

Notes to the Summary Financial Statements

For the year ended 31 March 2018

c. Directors

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

d. Key Management

The compensation of the Trustees, Directors and Executives, being the key management personnel of the entity, is set out as below:

Compensation of key management personnel

	CONSOLIDATED		TRUST	
	2018 \$000s	2017 \$000s	2018 \$000s	2017 \$000s
Short-term employee benefits	3,495	4,627	220	224
Termination benefits	205	490	-	-
	3,700	5,117	220	224

During the year Northpower paid the Northpower Electric Power Trust a dividend totalling \$5 million, declared March 2017 (2017: \$5 million, declared March 2016). A dividend of \$8 million was also declared in March 2018 and is payable after year end.

Notes to the Summary Financial Statements

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For the year ended 31 March 2018

Transactions between the company and key management personnel

Mr Paul Yovich is a Trustee of Northpower Electric Power Trust. He is also a Trustee of a Shareholder of Busck Prestressed Concrete Limited, and a Director and Shareholder of Yovich & Co Limited. During the year Northpower made purchases from Busck Prestressed Concrete Limited of \$2,598,336 (2017: \$3,243,589) and had a balance outstanding at 31 March 2018 of \$327,332 (2017: \$29,260), and sales to Busck Prestressed Concrete Limited of \$4,512 (2017: nil). Yovich & Co Limited sold Fonterra shares on behalf of the Group and received commission of \$13,653 for this transaction.

Mrs Nikki Davies-Colley is the Chairman of the Northpower Board and a Director of Farmlands Trading Society Limited and Landcorp Farming Limited. During the year Northpower made purchases from Farmlands Trading to the value of \$10,796 (2017: \$21,012) and had a balance outstanding at 31 March 2018 of \$1,737 (2017: nil), and sales to Landcorp Farming of nil (2017: \$6,152) with a balance remaining at 31 March 2018 of nil (2017: \$6,133).

For the period from January to July 2017, two directors, Mrs Nikki Davies Colley and Mr Mark Trigg undertook executive responsibilities and became Managing Director and Executive Director respectively. The purpose was to bolster the executive team through the transition period between the retirement of both the incumbent Chief Executive and the General Manager Networks and the commencement of a replacement CEO. The total remuneration received as executives during the year ended 31 March 2018 for that period was: Mrs Davies-Colley \$56,875 (2017: \$69,526) and Mr Trigg \$75,716 (2017: \$80,937).

Mr A R Beach is a director of Northpower Western Australia Pty Limited and West Coast Energy Pty Limited. During the year Mr Beach provided assistance with managing the closure of the West Coast Energy business and was paid fees totalling \$52,994 for these services.

Mr Richard Pearce is a Board member of the Electricity Engineers Association and during the year Northpower made purchases from this organisation totalling \$36,860 (2017: \$36,494).

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

During the year ended 31 March 2017 David Wright was a director of Northpower Western Australia Pty Limited, until his resignation in April 2016. While a director of NPWA he was also a Director of WEL Networks Limited and David Wright Limited. During the year ended 31 March 2017 Northpower transacted purchases of \$1,185 with WEL Networks Limited. Sales to WEL Networks of \$3,006,004 took place during the same year with \$875,524 remaining outstanding as at 31 March 2017.

During the year ended 31 March 2017 Mark Gatland was a Board member of the Energy Networks' Association until his retirement in January 2017. During the year ended 31 March 2017 Northpower made payments to this organisation of \$77,450.

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

19 Annual Plan

The Northpower Electric Power Trust was established in 1993 as a Consumer Trust in accordance with the Northpower Establishment Plan. This Plan was developed with extensive public consultation as required by Section 18 of the Energy Companies Act 1992.

The Objective of the Trust is to hold the shares in Northpower Ltd on behalf of the consumers of the Kaipara and Whangarei Districts.

There are seven Trustees (two from Kaipara and five from Whangarei) who are elected every three years following the Local Body elections.

The Trustees are required by the Trust Deed and law to:

- a) Encourage and facilitate Northpower Ltd to operate as a successful business by optimising the return on its assets.
- b) Distribute to consumers in their capacity as owners, the benefits of ownership of the shares of Northpower Ltd.
- c) Appoint Directors to Northpower as provided for in the Northpower Ltd constitution.
- d) Act as a diligent shareholder and monitor the performance of the Directors.

Trustees are specifically prohibited from participating in the management or operation of Northpower Ltd.

In carrying out their responsibilities in accordance with the Trust Deed and the law, the Trustees will specifically:

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

- 1.1. Seek a fair commercial return from the Trust investment in Northpower Ltd.
- 1.2. Seek to minimise the risk of the Trust investments in Northpower Ltd.
- 1.3. Manage cash assets including dividends received in a way that maximises the benefit to Trust beneficiaries.

2. Northpower Limited

- 2.1. Exercise the rights and responsibilities of diligent shareholders in Northpower Ltd for the benefit of the Trust Fund and with due regard to the objective of Northpower Ltd to be a successful business. In doing so, take proper account of the growth of Northpower and the impact of the changing economy.
- 2.2. Advertise publicly that Trustees seek prospective directors for Northpower Ltd in accordance with clause 9.1 of the Trust Deed and the Constitution of the Company.
- 2.3. Appoint directors to fill any vacancies in accordance with the provisions of the Trust Deed and the Company's Constitution.
- 2.4. Monitor the performance of Directors.
- 2.5. Agree on the Northpower Statement of Corporate Intent with the directors of Northpower Ltd and make the completed SCI available to the public.
 - 2.5.1. As 100% owners of Northpower Ltd, although specifically prohibited from participating in the management of Northpower Ltd, the Trustees may be ultimately responsible for some of the company's actions.

The Trustees will require, through the Statement of Corporate Intent, as well as achievement of specific targets for financial and operational performance, assurances from the Directors that effective measures are in place to avoid or minimise financial, operational, and health and safety risks.
- 2.6. Meet with the Board or its representatives of Northpower Ltd at least four times a year to consider the performance of Northpower Ltd in relation to the Statement of Corporate Intent and other matters of ownership.
- 2.7. Attend the Annual Meeting of Northpower Ltd and exercise the rights and responsibilities of shareholders at that meeting and at any other general meeting of the company.

3. Income

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

4. Chairperson

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

5. Deputy Chairperson

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

6. Secretary

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

7. Security of electricity supply

Transmission and generation

The Trust will cooperate with the company and Energy Trusts of New Zealand (ETNZ) to encourage appropriate grid and network improvements and adequate generation capacity to service Northpower consumers' needs.

8. ETNZ

The Northpower Electric Power Trust (NEPT) is a member of ETNZ. The NEPT will seek efficiency in the ETNZ in its objectives of facilitating the operations of Energy Trusts as significant owners of Energy Companies and in supporting trusteeship of Energy Trusts.

9. Communication

The Trust will inform consumers of its activities through the news media and through newsletters as appropriate.

Information and Trust reports can be found in the ownership section of Northpower's website - <https://northpower.com/company/about-us/ownership>. The Trust will also maintain a free call telephone number 0800 434 100 and an email address trustees@northpower.com for the benefit of consumers who wish to contact the Trust. The postal address is P O Box 1609, Whangarei.

10. Code of practice

The Trust has developed and published a 'Code of Practice' that describes the way Trustees will provide accountability to, and access to information for the Trust's beneficiaries. This was first presented for confirmation at the AGM in July 2003, and will be reviewed at each AGM.

11. Election of Trustees

As required by the Deed of Trust, the Trust will be holding an election in November 2019 by postal ballot.

21 Code of Practice

The Northpower Electric Power Trust (NEPT) will seek to achieve best practice in all its activities. Trustees and officers of the Trust will fulfill all their obligations under the Trust Deed and the law.

Purpose of the Trust:

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

Operation of the Trust:

The Trustees meet as required, usually monthly, to deal with Trust business that may include:

Correspondence and beneficiary enquiries, finance, monitoring the performance of Northpower Directors and the Company's performance against the SCI, dividends and distributions as they arise, ownership and legislative issues, liaison with the Electricity Trusts of New Zealand (ETNZ), any other matters affecting the Trust.

Beneficiaries:

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

Entitlement to Information:

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

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

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

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

Procedures for Requesting Information:

Beneficiaries may seek information from the Trust by:

- a. A telephone request through the Trust's free call telephone number 0800 434 100.
- b. Writing to the Secretary of the Trust at P.O. Box 1609, Whangarei.

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

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

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

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

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

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

Annual Meeting:

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

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

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

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

Rights of Review of Acts and Decisions of Trustees:

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

Review of Code of Practice:

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







NORTHPOWER
ELECTRIC POWER TRUST

Freephone: 0800 434 100

P.O. Box 1609, Whangarei

<https://northpower.com/company/about-us/ownership>

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Secretariat

Plus Chartered Accountants Ltd

Brent Martin	09 438 3322
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