



# 2020

## Financial Statements

### King Country Electric Power Trust



CHARTERED ACCOUNTANTS  
AUSTRALIA • NEW ZEALAND

# King Country Electric Power Trust

## Contents of Financial Statements

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For the Year Ended 31 March 2020

Contents of Financial Statements	1
Directory	2
Statement of Responsibilities	3
Statement of Profit or Loss and Other Comprehensive Income	4
Statement of Changes in Equity	5
Statement of Financial Position	6
Statement of Cash Flows	7
Notes to and forming part of the Financial Statements	8 - 19
Audit Report	20 - 21

## King Country Electric Power Trust

### Directory

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As at 31 March 2020

Nature of Business	Energy Consumer Trust
Trustees	Jo Bransgrove, Omori (appointed 1 April 2020) Robert Carter, Kirikau Adie Doyle, Taumarunui (Chair) Sandra Greenslade, Turangi Uwe Kroll, Ohakune Graeme Cosford, Taumarunui (resigned 1 April 2020)
Beneficiary	Electricity consumers in the area of the King Country Electric Power Board
Secretary	Tessa Jackson Phone: 027 443 3049 Email: <a href="mailto:kcept@xtra.co.nz">kcept@xtra.co.nz</a>
Office of the Trust	Enquiries to Tessa Jackson, Secretary  Postal Address: 218 Golf Road P O Box 421 TAUMARUNUI 3946  Website: <a href="http://www.kcpowertrust.co.nz">www.kcpowertrust.co.nz</a>
Accountants	Peak Chartered Accountants Limited Chartered Accountants 37 Miriama Street Taumarunui
Auditor	Spooner, Hood & Redpath Ltd Chartered Accountants PO Box 765 Wanganui 4540
Bankers	Bank of New Zealand ANZ Bank ASB
Solicitors	Simpson Grierson

# King Country Electric Power Trust

## Statement of Responsibility

### For the Year Ended 31 March 2020


The Board of Trustees has pleasure in presenting the annual report of King Country Electric Power Trust incorporating the financial statements and the auditor's report, for the year ended 31 March 2020.

The Board accepts responsibility for the preparation of the annual financial statements and the judgements used in these statements. The financial statements have been prepared in accordance with The Electricity Industry Act 2010 and the Financial Reporting Act 2013.

The Trustees accept responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of the Trust's financial reporting.

In the opinion of the Board, the annual financial statements for the financial year fairly reflect the financial position and operations of the Trust.

The Trust's 2020 financial statements are authorised for issue by the Trustees.

  
\_\_\_\_\_  
Chairperson  
\_\_\_\_\_  
Trustee

24/08/2020  
\_\_\_\_\_  
Date

24/08/2020  
\_\_\_\_\_  
Date

# King Country Electric Power Trust

## Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 31 March 2020

	Note	2020	2019
		\$	\$
Revenue	2	253,448	1,005,924
Trust administration expenses	3	(195,670)	(179,424)
Beneficiary & community expenses	4	(95,000)	(192,270)
Investment costs	5	(64,656)	(67,720)
Strategic and consultancy expenses	6	(1,271)	(7,864)
Finance costs	7	-	(41,497)
Depreciation & losses on disposal of assets	8	(35)	(78)
<b>Operating (Loss) Profit</b>		<b>(103,184)</b>	<b>517,071</b>
Share of total comprehensive income from investment in associate recognised in net surplus	9	1,878,496	888,788
<b>Profit before Income tax</b>		<b>1,775,312</b>	<b>1,405,859</b>
Income tax	11	(486,033)	(286,564)
<b>Profit for the Period</b>		<b>1,289,279</b>	<b>1,119,295</b>
<b>Other Comprehensive Income</b>			
Other Comprehensive Income		-	-
<b>Total Comprehensive Income for the Period</b>		<b>1,289,279</b>	<b>1,119,295</b>

These financial statements are to be read in conjunction with the accompanying Notes. These statements have been audited.



# King Country Electric Power Trust

## Statement of Changes in Equity

For the Year Ended 31 March 2020

	2020	2019
	\$	\$
<b>Revenues and Expenses</b>		
Net Profit	1,289,279	1,119,295
<b>Total Recognised Revenues and Expenses</b>	<b>1,289,279</b>	<b>1,119,295</b>
Distributions	14,906	(1,300,000)
Trust Funds at the Beginning of the Year	46,301,848	46,482,553
<b>Trust Funds at the End of the Year</b>	<b>47,606,033</b>	<b>46,301,848</b>

These financial statements are to be read in conjunction with the accompanying Notes. These statements have been audited.



# King Country Electric Power Trust

## Statement of Financial Position

As at 31 March 2020

	Note	2020 \$	2019 \$
<b>Trust Funds</b>			
Trust Capital	12	6,675,100	6,675,100
Retained Earnings	13	40,930,933	39,626,748
<b>Total Trust Funds</b>		<b>47,606,033</b>	<b>46,301,848</b>
<b>Represented by:</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	14	529,399	260,801
Other Receivables	15	44,610	3,772
Income Tax Receivable		87,791	110,960
Prepayments	16	-	17,704
Current Investments	17	4,016,757	2,300,780
<b>Total Current Assets</b>		<b>4,678,557</b>	<b>2,694,017</b>
<b>Non-Current Assets</b>			
Property, Plant & Equipment	18	45	80
Term Investments	19	42,932,290	43,613,217
<b>Total Non-Current Assets</b>		<b>42,932,335</b>	<b>43,613,297</b>
<b>Total Assets</b>		<b>47,610,892</b>	<b>46,307,314</b>
<b>Current Liabilities</b>			
Payables & Accruals		4,859	5,466
<b>Total Liabilities</b>		<b>4,859</b>	<b>5,466</b>
<b>Net Assets</b>		<b>47,606,033</b>	<b>46,301,848</b>

These financial statements are to be read in conjunction with the accompanying Notes. These statements have been audited.



# King Country Electric Power Trust

## Statement of Cash Flows

For the Year Ended 31 March 2020

Note	2020	2019
	\$	\$
<b>Cash Flows from Operating Activities</b>		
Cash was provided from:		
Interest Received	59,511	224,711
Dividends Received	4,470,625	2,639,688
Other Investment Income Received	573,464	430,047
Sundry Income	1,832	-
	<b>5,105,432</b>	<b>3,294,446</b>
Cash was disbursed to:		
Payment to suppliers and employees	255,456	500,474
Income tax paid	1,392,925	862,482
	<b>1,648,381</b>	<b>1,362,956</b>
<b>Net Cash Flows from Operating Activities</b>	<b>3,457,051</b>	<b>1,931,490</b>
<b>Cash Flows from Investing Activities</b>		
Cash was provided from:		
Proceeds from disposal of short term investments	1,303,548	6,221,768
Proceeds from disposal of investment in associate (return of capital)	-	3,747,001
	<b>1,303,548</b>	<b>9,968,769</b>
Cash was disbursed to:		
Purchases of fair value financial assets through profit and loss	1,392,381	868,771
Purchases of short term investments	3,019,526	4,131,376
Purchase of investment in associate	-	6,291,015
	<b>4,411,907</b>	<b>11,291,162</b>
<b>Net Cash Flows from Investing Activities</b>	<b>(3,108,359)</b>	<b>(1,322,393)</b>
<b>Cash Flows from Financial Activities</b>		
Cash was disbursed to:		
Distributions to Beneficiaries (Direct)	(14,906)	1,300,000
Distributions to Beneficiaries (In-Direct)	95,000	-
	<b>80,094</b>	<b>1,300,000</b>
<b>Net Cash Flows from Financial Activities</b>	<b>(80,094)</b>	<b>(1,300,000)</b>
Net Increase in Cash Held	268,598	(690,903)
Cash at the Beginning of the Year	260,801	951,703
<b>Cash at the End of the Year</b>	<b>529,399</b>	<b>260,800</b>

These financial statements are to be read in conjunction with the accompanying Notes. These statements have been audited.





## 1 Statement of Accounting Policies

### Reporting Entity

King Country Electric Power Trust is an Energy Consumer Trust.

The Trust was established to hold shares in King Country Energy Limited. The principal activity of the Trust is to invest in accordance with the terms of the Trust Deed for the long term good of their beneficiaries.

The object of the Trust is to hold shares in King Country Energy Limited on behalf of the consumers, exercising the rights attached to ownership and distribute to consumers the benefits of ownership including any dividends received by the Trust, and to carry out future ownership reviews involving public consultation.

### Statement of Compliance and Basis of Preparation

The financial statements for the King Country Electric Power Trust have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). King Country Electric Power Trust is a Tier 2 for-profit entity and has elected to report in accordance with NZ IFRS (RDR) as issued by the New Zealand External Reporting Board (XRB). KCEPT is eligible to report in accordance with NZ IFRS (RDR) on the basis that it does not have public accountability and is not large (as defined). The financial statements comply with New Zealand equivalents to International Financial Reporting Standards Reduced Disclosure Regime (NZ IFRS RDR), other New Zealand accounting standards and authoritative notices that are applicable to entities that apply NZ IFRS.

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

The preparation of financial statements in conformity with NZ IFRS (RDR) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Trust's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant are disclosed at the end of the accounting policies.

The financial statements are presented in New Zealand dollars, and amounts have been rounded to the nearest \$ unless stated. They have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale assets and financial assets and liabilities at fair value through profit and loss.

### Specific Accounting Policies

The following specific accounting policies which materially affect the measurement of the Statement of Comprehensive Income and Statement of Financial Position have been applied:

#### (a) Revenue Recognition

Interest income on cash and cash equivalents and investments is recognised as it is earned (e.g. a term deposit that has been invested for 30 days of 100 at balance date will have 30 days of interest recognised). When a receivable is impaired, the Trust reduces the carrying amount to its estimated recoverable amount.

Dividend income is recognised when the right to receive payment is established. The income is reflected on a gross income basis; with the imputation credits attached becoming part of the tax calculation.

There is no revenue from contracts with customers.

#### (b) Expenses

Expenses have been classified by their business nature.

For the Year Ended 31 March 2020

(c) Property, Plant & Equipment

Items of property, plant and equipment are measured on the cost basis and are therefore carried at cost less accumulated depreciation and any accumulated impairment losses. In the event the carrying amount of property, plant and equipment is greater than its estimated recoverable amount, the carrying amount is written down immediately to its estimated recoverable amount and impairment losses recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably.

All other repairs and maintenance are recognised as expenses in the Statement of Comprehensive Income in the financial period in which they are incurred.

The depreciable amount of all fixed assets, including buildings and capitalised lease assets but excluding freehold land, is depreciated on a diminishing value basis. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The following estimated depreciation rates/useful lives have been used:

Plant & Equipment	14.4% - 60% DV
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An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

(d) Leased Assets

At inception of a contract, the trust considers whether the contract is or contains a lease. All leases are accounted for by recognising a right-of-use asset and a lease liability except for leases of low value assets and leases with a term of 12 months or less.

On the statement of financial position, right-of-use assets have been included in property, plant & equipment and lease liabilities have been included in payables & accruals.

(e) Income Tax

The income tax expense charged to the Statement of Comprehensive Income recognises the current year's provision adjusted for timing and permanent differences between taxable and accounting income. Deferred tax is calculated using the comprehensive basis under the liability method and future tax benefits are not recognised unless realisation of the asset is virtually certain.

There are no material deferred tax or future tax benefits.

(f) Investments

Short term deposits have maturities between three months and one year, and longer term deposits that mature within one year of balance date. These are disclosed at their fair value (cost).

At balance date the Trust assesses whether there is any objective evidence that an investment is impaired. Any impairment loss is recorded as an expense in the income statement.

## King Country Electric Power Trust

### Notes to and forming part of the Financial Statements (continued)

#### For the Year Ended 31 March 2020

##### (g) Financial Instruments

###### (i) Recognition and Derecognition

Financial assets and financial liabilities are recognised when the trust becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, waived, cancelled or expires.

###### (ii) Classification and Initial Measurement of Financial Assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with Revenue from Contracts with Customers (NZ IFRS 15), all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- \* amortised cost
- \* fair value through profit or loss (FVTPL)
- \* fair value through other comprehensive income (FVOCI).

The classification is determined by both:

- \* the entity's business model for managing the financial asset
- \* the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

###### (iii) Subsequent Measurement of Financial Assets

###### *Financial Assets at Amortised Cost*

A financial asset is measured at amortised cost if the asset meets both of the following conditions (and are not designated as FVTPL):

- \* the financial asset is held within a business model whose objective is to hold the financial assets to collect contractual cash flows
- \* the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

This category includes non-derivative financial assets like loans and receivables with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The trust cash and cash equivalents, trade and most other receivables fall into this category of financial instruments .

###### *Financial Assets at Fair Value through Profit or Loss (FVTPL)*

Financial assets that are held within a different business model than 'hold to collect' or 'hold to collect and sell', and financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply (see below).

Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

For the Year Ended 31 March 2020

The trust accounts for a financial asset at FVOCI if the asset meets both the following conditions:

- \* the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets
- \* the contractual terms of the financial asset gives rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Any gains or losses recognised in OCI will be recycled upon derecognition of the asset.

(iv) Impairment of Financial Assets

Impairment applies to financial assets measured at amortised cost, contract assets and debt-type financial assets at FVOCI, but not to investments in equity instruments.

Recognition of credit losses is no longer dependent on the trust first identifying a credit loss event. Instead the trust considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- \* financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
  - \* financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').
- 'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date. However, none of the trust's financial assets fall into this category.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

*Trade and Other Receivables and Contract Assets*

The trust makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the trust uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The trust recognises 12-month expected credit losses for financial assets at FVOCI. As most of these instruments have an outstanding credit rating, the likelihood of default is deemed to be small. However, at each reporting date there is an assessment whether there has been a significant increase in the credit risk of the instrument.

In assessing these risks, reliance is on readily available information such as the credit ratings issued by the major credit rating agencies for the respective asset. The trust only holds simple financial instruments for which specific credit ratings are usually available. In the unlikely event that there is no or only little information on factors influencing the ratings of the asset available, the trust would aggregate similar instruments into a portfolio to assess on this basis whether there has been a significant increase in credit risk.

In addition, other indicators are considered such as adverse changes in business, economic or financial conditions that could affect the borrower's ability to meet its debt obligation or unexpected changes in the borrower's operating results.

For the Year Ended 31 March 2020

Should any of these indicators imply a significant increase in the instrument's credit risk, lifetime ECL is recognised for this instrument or class of instruments.

(v) Classification of Financial Liabilities

Financial liabilities include borrowings, trade and other payables and derivative financial instruments.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the trust designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss, are included within finance costs or finance income.

(h) Goods and Services Taxation (GST)

Revenue and expenses have been recognised in the financial statements inclusive of GST.

(i) Investment in Associates

Associates are entities the trust is able to exert significant influence over but which are not subsidiaries. A joint venture is an arrangement that the trust controls jointly with one or more other investors, and over which the trust has rights to a share of the arrangement's net assets rather than direct rights to underlying assets and obligations for underlying liabilities. Investments in associates and joint ventures are accounted for using the equity method.

Any goodwill or fair value adjustment attributable to the share in the associate or joint venture is not recognised separately and is included in the amount recognised as an investment. The carrying amount of the investment in associates and joint ventures is increased or decreased to recognise the share of the profit or loss and other comprehensive income of the associate and joint venture, adjusted where necessary to ensure consistency with the accounting policies of the trust.

Unrealised gains and losses on transactions with the associates and joint ventures are eliminated to the extent of the entity's interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

(j) Impairment

The carrying amounts of the Trust's assets other than inventories are reviewed at each balance date to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses directly reduce the carrying amount of assets and are recognised in the Statement of Comprehensive Income.

(k) Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year. A number of new and revised standards became effective for annual accounting periods beginning on or after the 1 April 2019 but these had no impact on the accounting policies and disclosures made in these financial statements.

# King Country Electric Power Trust

## Notes to and forming part of the Financial Statements (continued)

For the Year Ended 31 March 2020

### (l) Significant Judgements, Estimates and Assumptions

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires Trustees to exercise their judgement in the process of applying the Trust's accounting policies. In making these judgements, estimates and assumptions concerning the future are made. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

#### Significant Judgements in Applying Accounting Policies

The following are significant judgements in applying accounting policies that have the most significant effect on the financial statements.

#### Impairment of Assets

NZ IFRS requires that assets are carried at no more than their recoverable amount. This requires Trustees to make judgements regarding amounts recoverable and provisions for impairment. Trustees must apply judgement in assessing likely outcomes.

#### Income Taxes and Deferred Taxation

Judgement is required in determining the provision for income taxes and the ultimate determination is uncertain until assessments are finalised.

#### Associates

Assessment has been made of whether or not significant influence exists in King Country Energy Limited.

## 2 Revenue

The trust's revenue is analysed as follows for each major product and service category:

	Sub Notes	2020	2019
		\$	\$
Finance income - investment earnings	(i)	768,699	710,250
Finance income - other	(ii)	(517,084)	295,674
Other income		1,833	-
<b>Total Revenue</b>		<b>253,448</b>	<b>1,005,924</b>

	2020	2019
	\$	\$
(i) Finance income - investment earnings		
Dividends Received	105,844	107,806
Interest Received	89,391	172,397
Overseas Income	11,983	23,537
PIE Income	561,481	406,510
<b>Total Finance income - investment earnings</b>	<b>768,699</b>	<b>710,250</b>

	2020	2019
	\$	\$
(ii) Finance income - other		
Gain (loss) on Investments	(517,083)	295,674
<b>Total Finance income - other</b>	<b>(517,083)</b>	<b>295,674</b>

These financial statements have been audited.

# King Country Electric Power Trust

## Notes to and forming part of the Financial Statements (continued)

For the Year Ended 31 March 2020

	2020	2019
	\$	\$
<b>3 Trust administration expenses</b>		
Accountancy Services & Software	12,614	15,471
Advertising & General	-	1,105
AGM Expenses	3,081	2,173
Audit Fees	6,869	7,590
Bank Fees & Charges	130	180
Conference Costs	(161)	1,754
Computer Costs	704	596
Election Expenses	30,475	-
ETNZ Levy	8,801	5,710
Insurance	7,449	6,833
Meeting Room Hire	111	328
Postage	103	129
Website Costs	679	11,801
Secretarial Expenses	23,274	23,120
Stationery & Photocopying	6	178
Travelling Expenses	5,355	6,276
Trustee Fees	96,180	96,180
<b>Total Trust administration expenses</b>	<b>195,670</b>	<b>179,424</b>
<b>4 Beneficiary &amp; community expenses</b>		
Community Projects & Contributions	-	192,270
Donations & Grants	95,000	-
<b>Total Beneficiary &amp; community expenses</b>	<b>95,000</b>	<b>192,270</b>
<b>5 Investment costs</b>		
Portfolio Management Fees & Charges	64,656	67,720
<b>Total Investment costs</b>	<b>64,656</b>	<b>67,720</b>
<b>6 Strategic and consultancy expenses</b>		
Consultancy Fees	638	-
Legal Expenses	633	7,864
<b>Total Strategic and consultancy expenses</b>	<b>1,271</b>	<b>7,864</b>
<b>7 Finance costs</b>		
Interest Expense	-	41,497
<b>Total Finance costs</b>	<b>-</b>	<b>41,497</b>

These financial statements have been audited.

# King Country Electric Power Trust

## Notes to and forming part of the Financial Statements (continued)

For the Year Ended 31 March 2020

	2020	2019
<b>8 Depreciation &amp; losses on disposal of assets</b>	<b>\$</b>	<b>\$</b>
Depreciation	35	78
<b>Total Depreciation &amp; losses on disposal of assets</b>	<b>35</b>	<b>78</b>
<b>9 Share of total comprehensive income from investment in associate recognised in net surplus</b>	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Share of post-tax profits of equity accounted associates	2,537,968	2,026,627
Share of other comprehensive income (not reflected in reserves)	(659,472)	(1,137,839)
<b>Total Share of total comprehensive income from investment in associate recognised in net surplus</b>	<b>1,878,496</b>	<b>888,788</b>
<b>10 Auditor's Remuneration</b>	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
The auditor of King Country Electric Power Trust is Spooner, Hood & Redpath Ltd Audit Fees	6,869	7,590
	<b>6,869</b>	<b>7,590</b>
<b>11 Tax Reconciliation</b>	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Profit before Income Tax	1,775,312	1,405,859
<b>Permanent Differences</b>		
Share of post-tax profits of equity accounted associates	(2,537,968)	(2,026,627)
Share of other comprehensive income (not reflected in reserves)	659,472	1,137,839
PIE Non Assessable Income	(561,481)	(406,510)
Community Projects & Contributions	-	192,270
Donations & Grants (other)	50,000	-
Recovery of non-deductible expenditure	(1,812)	-
Financial Asset Revaluations	542,798	(295,674)
Income from Investment in Associate subject to income tax	1,546,506	861,221
<b>Total Permanent Differences</b>	<b>(302,485)</b>	<b>(537,481)</b>
<b>Taxable Income</b>	<b>1,472,827</b>	<b>868,378</b>
Tax Expense at 33%	486,033	286,565
<b>Tax Expense</b>	<b>486,033</b>	<b>286,565</b>

These financial statements have been audited.





# King Country Electric Power Trust

## Notes to and forming part of the Financial Statements (continued)

For the Year Ended 31 March 2020

The Trust is required to account for income tax on a deferred tax basis. As the treatment of assets and liabilities is materially consistent with income tax, there are no material timing differences that result in deferred tax balances.

Tax expense, as shown above, excludes tax on the share of the associates profit.

12 Trust Capital	2020	2019
	\$	\$
Opening Balance	6,675,100	6,675,100
<b>Total Trust Capital</b>	<b>6,675,100</b>	<b>6,675,100</b>

13 Retained Earnings	2020	2019
	\$	\$
Opening Balance	39,626,748	39,807,453
Plus:		
Profit for the Year	1,289,279	1,119,295
Less:		
Distributions from Retained Profit	(14,906)	1,300,000
<b>Total Retained Earnings</b>	<b>40,930,933</b>	<b>39,626,748</b>

14 Cash and Cash Equivalents	2020	2019
	\$	\$
Bank Account Balances		
BNZ - Current Account	517,486	8,857
BNZ Achiever Savings	5	240,014
ANZ - Current Account	-	5,099
ANZ Call Account	-	2,169
ANZ Serious Saver	9,963	2,680
ASB Current Account	1,945	1,982
<b>Total Cash and Cash Equivalents</b>	<b>529,399</b>	<b>260,801</b>

The cash and cash equivalents shown above is consistent with that used for the purposes of the statement of cash flows.

15 Other Receivables	2020	2019
	\$	\$
Accrued Interest	44,610	3,772
<b>Total Other Receivables</b>	<b>44,610</b>	<b>3,772</b>

All amounts are short-term and have been reviewed for indicators of impairment. The carrying value of trade receivables is considered a reasonable approximation of fair value.

# King Country Electric Power Trust

## Notes to and forming part of the Financial Statements (continued)

For the Year Ended 31 March 2020

### 16 Prepayments

Prepayments  
Unamortised Bond Premium

#### Total Prepayments

2020	2019
\$	\$
-	6,746
-	10,958
-	<b>17,704</b>

### 17 Current Investments

BNZ - Term Deposits  
Managed Portfolio - Cash Balances  
Managed Portfolio - NZ Cash  
Managed Portfolio - Foreign Currency Cash

#### Total Current Investments

This includes term deposits with an original maturity between 3 months and one year.

2020	2019
\$	\$
3,821,158	1,301,633
195,599	985,614
-	13,533
<b>4,016,757</b>	<b>2,300,780</b>

### 18 Property, Plant & Equipment

#### Property, Plant & Equipment 2020

Plant & Equipment

Opening Balance

Depreciation

Closing Balance

#### Total Property, Plant & Equipment

Cost or Valuation	Depreciation	Carrying Amount
\$	\$	\$
4,233	4,152	81
	36	(36)
<b>4,233</b>	<b>4,188</b>	<b>45</b>
<b>4,233</b>	<b>4,188</b>	<b>45</b>

#### Property, Plant & Equipment 2019

Plant & Equipment

Opening Balance

Closing Balance

#### Total Property, Plant & Equipment

Cost or Valuation	Accumulated Depreciation	Carrying Amount
\$	\$	\$
4,233	4,074	159
4,233	4,153	80
<b>4,233</b>	<b>4,153</b>	<b>80</b>

### 19 Term Investments

Equity Investments - Fair Value

Managed Portfolio - Australasian Equities

Managed Portfolio - International Equity

Funds

Total Equity Investments - Fair Value

2020	2019
\$	\$
3,796,929	3,690,282
5,812,012	5,520,983
<b>9,608,941</b>	<b>9,211,265</b>

These financial statements have been audited.

# King Country Electric Power Trust

## Notes to and forming part of the Financial Statements (continued)

For the Year Ended 31 March 2020

Fixed Interest Investments - Fair Value		
Managed Portfolio - NZ Fixed Interest	1,926,250	1,889,172
Managed Portfolio - International Fixed Interest	6,362,196	5,921,652
<b>Total Fixed Interest Investments - Fair Value</b>	<b>8,288,446</b>	<b>7,810,824</b>
Investment in Associate	25,034,903	26,591,128
<b>Total Term Investments</b>	<b>42,932,290</b>	<b>43,613,217</b>

The BNZ Managed Portfolio is recognised at fair value through profit or loss. It is revalued at balance date to fair value with gains or losses (changes in value) recognised in net surplus.

King Country Energy Limited, an associate (incorporated and operating in New Zealand), is reflected in the financial statements using the equity method. The proportion of ownership at balance date was 24.98%.

Shares held in King Country Energy Limited were reflected as an investment in associate on 29 March 2018 with a compulsory takeover and a change in constitution. Under this constitution dated 29 March 2018, KCEPT with its shareholding, has the right to appoint one of three directors on the Board. KCEPT subsequently increased its shareholding from 19.98% to 24.98% of the company. The opening value of the investment in associate (deemed purchase price) in KCEPT was reflected at \$5 per share, representing the share price paid for the shares by Trustpower as part of the takeover of the company at the date that the nature of the investment changed from available for sale to an investment in an associate. Under the equity method dividends reduce the value of the investment, and the investment is also adjusted by the share of the associate's comprehensive income. Consequently, the value of the investment will differ to both the share of the associate's balance sheet and any valuation of the investment in the entity.

Movements in the fair value of financial assets held for sale were recognised through the Statement of Comprehensive Income and gains or losses recognised on the disposal of the asset reflected in net surplus.

## 20 Financial Instruments - Risk Management and Fair Value

### (a) Financial Instruments by Category

Financial assets and liabilities held at amortised cost

Financial assets at amortised cost

Trade receivables

Held-to-maturity investments

Cash and cash equivalents

**Total Financial assets at amortised cost**

Liabilities at amortised cost

Trade and other payables

	2020	2019
	\$	\$
Trade receivables	132,401	114,732
Held-to-maturity investments	4,016,757	2,300,780
Cash and cash equivalents	529,399	260,800
<b>Total Financial assets at amortised cost</b>	<b>4,678,557</b>	<b>2,676,312</b>
Trade and other payables	4,859	5,466
<b>Total Financial liabilities at amortised cost</b>	<b>4,673,698</b>	<b>2,670,846</b>

These financial statements have been audited.

## King Country Electric Power Trust

### Notes to and forming part of the Financial Statements (continued)

For the Year Ended 31 March 2020

	2020	2019
Financial assets held at fair value through profit and loss (FVPL)		
	\$	\$
Investment in associate	25,034,903	26,591,128
Equity investments	9,608,941	9,211,265
Fixed interest investments	8,288,446	7,810,824
	<u>42,932,290</u>	<u>43,613,217</u>

#### 21 Commitments

On the 28th January 2020 the Committee approved a distribution of \$1,365,000 for the 2020/2021 year (2019: Nil).

#### 22 Related Party

Robert Carter is a director of King Country Energy Limited  
(2019: A loan was provided by King Country Energy Limited of \$3,750,000 during the year as part of the agreement to buy an additional 5% of shares. Interest was incurred of \$41,497.)

#### 23 Contingent Liabilities

The trust has no contingent liabilities and no guarantees as at 31 March 2020 (2019: Contingent Liabilities Nil, Guarantees Nil).

#### 24 Events Occurring After Balance Date

On March 11, 2020, the World Health Organisation declared the outbreak of COVID-19 (a novel Coronavirus) a pandemic. Two weeks later, on 26 March, New Zealand increased its' COVID-19 alert level to level 4 and a nationwide lockdown commenced. At this stage, the Covid-19 pandemic has not had a significant financial impact on the Trust. Although the investment fund initially dropped, it has since recovered, and the pandemic appears to have had no effect other than that. (Last year – Nil.)

## Independent Auditor's Report

TO: THE TRUSTEES AND CONSUMER BENEFICIARIES OF THE KING COUNTRY ELECTRIC  
POWER TRUST

### Qualified Opinion

We have audited the financial statements of King Country Electric Power Trust, which comprise the statement of financial position as at 31 March 2020, and the statement of profit or loss and other comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of our report, the accompanying financial statements of the Trust are prepared, in all material respects, in accordance with New Zealand equivalents to International Financial Reporting standards – Reduced Disclosure Regime (NZIFRS RDR).

### Basis for Qualified Opinion

A significant portion of the Trust's interests are now represented by their investment in King Country Energy Limited.

The financial statements of King Country Energy Limited for the period ended 31 March 2020 are unaudited. We were therefore unable to obtain sufficient appropriate audit evidence about the carrying amount of King Country Electric Power Trust's investment in King Country Energy Limited as at 31 March 2020 or King Country Electric Power Trust's share of income for the year. Consequently, we were unable to determine if any adjustments were necessary.

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of King Country Electric Power Trust in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, King Country Electric Power Trust.

-20-

## **Restriction on Responsibility**

This report is made solely to the Trustees and Consumer beneficiaries of the Trust. Our audit work has been undertaken so that we might state to the Trustees and Consumer beneficiaries those matters which we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trust, the Trustees and the Consumer beneficiaries for our audit work, for this report or for the opinions we have formed.

## **Trustees' Responsibility for the Financial Statements**

The Trustees are responsible on behalf of the entity for the preparation and fair presentation of the financial statements in accordance with NZIFRS RDR, and for such internal control as the Trustees determine is necessary to enable the preparation of 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 entity for the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Trustees either intend to liquidate the entity or to cease operations, or have no realistic alternative but to do so.

## **Auditor's Responsibilities 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 conducted in accordance with ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located at the XRB's website at

<https://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-8/>



**Spooner Hood & Redpath Ltd**

Chartered Accountants

Whanganui

24 August 2020