



Counties Power Consumer Trust
Annual Report
For the year ended
31 March 2014

Counties Power Consumer Trust

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The Financial Statements of Counties Power Consumer Trust for the year ending 31 March 2014

Counties Power Consumer Trust

Directory

Nature of Business	<p>The Trustees have 100 % ownership of Counties Power Limited. The shares of the company are held in Trust for the users of the Company Lines network – the beneficiaries (aka consumers) of the Trust.</p> <p>The Counties Power Trust was constituted on 17 May 1993 by a Trust Deed dated 10 May 1993. By a Deed of Resettlement, dated 14 September 1995, all the assets of the Counties Power Trust were resettled on the Trustees of the Counties Power Consumer Trust.</p>	
Trustees	Mr A D Eyes - Chairman	M Com, Dip Mgt, CA, CMA
	Mrs C P Rupp	JP, Post Grad Dip Sc
	Mr G Singh	QSM, JP
	Mr P S Beston	
	Mr D W Thomson	
Secretary	Gail Riddell	CA (CPP)
Contact Address	<p>Physical: Suite 6, 23 Hall Street, PUKEKOHE Postal: P O Box 580, PUKEKOHE 2340 Telephone: 09 238 3780</p>	
Solicitors	Simpson Grierson, AUCKLAND	
Bankers	ANZ, PAPAURA	
Auditors	RSM Prince, AUCKLAND	

Counties Power Consumer Trust

Chairman's Report

For the year ended 31 March 2014

To the Beneficiaries (Connected Consumers of Counties Power Limited):

It is my privilege to present this report of the Counties Power Consumer Trust for the year ended 31 March 2014.

Trustees

The five elected Trustees continue to hold 100% of the shares of Counties Power Limited in trust for the present and future Consumers served by the company's lines network, who are the only beneficiaries.

During the year there were 14 meetings held and in addition the Chairman, Secretary and one or more Trustees and/or Directors met/held discussions on numerous occasions to give attention to particular matters.

The Trust gratefully acknowledges that company chairman (during the year under review), Peter Fitzsimmons, other Directors and Management have been readily available for consultation.

Counties Power Consumer Trust

The Annual Report is an appropriate vehicle to re-state the foundation of the Trust. Beneficiaries of the Trust are, in generalised terms, those persons who have premises connected to the Counties Power Network. More specifically, a beneficiary of the Trust is a person (which includes individuals, corporations, partnerships, joint ventures, associations, trusts, organisations, government departments and local authorities) who:

at any appropriate date designated by the Trustees from time to time are named in the records of the Company and/or any Electricity Supply Business as persons whose premises are connected to the Company's lines network within the District and who are liable (whether alone or jointly or with any other person) for payments to any Electricity Supply Business for electricity conveyed in relation to those lines... ;

The Trustees hold in trust, 100% of shares in Counties Power Limited. Under this form of ownership only the Trustees can sell the shares. The advantage to you as a connected consumer is that the company is directed and managed so that you might receive the benefits.

Compare this with a private ownership structure (as occurs with several lines network companies in New Zealand) whereby the companies are managed so as to maximise profits for their owners, who frequently are from outside the region or even overseas.

Trust ownership of our network company therefore ensures the economic benefits remain in our area.

Trustees' Functions

As the holders of all the shares in Counties Power Limited, Trustees have an important role:-

1. the Trustees appoint the Directors of Counties Power Limited;
2. the Trustees monitor the performance of the company;

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Chairman's Report

For the year ended 31 March 2014

3. the Trustees participate in the direction of the company by commenting on the annual Statement of Corporate Intent as it is developed. They also review (and report) on the performance of the Company against the previous years' Statements of Corporate Intent;
4. the Trustees are required by law to act as diligent shareholders. This duty includes being fully aware of the strategic long-term likely value of the Company to its consumers. Taking this into account, Trustees exercise their voting powers in respect of any matters proposed by the company which affect either the level of the shareholding or which propose modifications of the rights of the shareholders.

Examples of the Trustees acting as diligent shareholders include:-

- at intervals of no more than 10 years, prepare a report considering options for the future ownership of the shares;
 - make decisions on merger proposals;
 - decide upon any Company recommendations to alter the capital structure of the Company;
 - review and monitor the performance of Counties Power Limited on a quarterly basis.
5. the Trustees attend to the management of Trust affairs through monthly meetings and the engagement of a qualified Trust Secretary as primary adviser;
 6. the Trustees must prudently seek out independent qualified advice in regard of major issues.

In exercising these powers, the Trustees are required by law to hold the interests of the consumers paramount over the interests of other parties.

The Trustees have no power, no authority and no discretion to participate in the management of the Company, but require accountability from the Board who is responsible for Governance of the Company.

Performance Measures of Counties Power Limited

Under section 44 of the Energy Companies Act 1992, the Company is required to report its performance against targets set out in the Statement of Corporate Intent.

The company, with the support of Trustees granted discounts of \$10.9 million (including GST) in the calendar year just passed. (The previous year also saw \$10.8 million returned to consumers). These discounts reduced connected consumers' electricity bills in December 2013. The growth in the Franklin area has seen a further increase in the number of consumers to approximately 38,478 (2013: 37,222) with the result that each connection averaged approximately \$283. (2013: \$290). It is considered discounts are the most cost effective means of providing returns to the beneficiaries of the day.

Beneficiaries should be aware that such discounts can only be provided whilst the shares of the company remain in Trust ownership. If the Trust is ever wound up or its shareholding is diluted, a new form of ownership would be established and such distributions would cease.

The financial performance of Counties Power Ltd and the Counties Power Consumer Trust for the year ended 31 March 2014 is set out in the accompanying consolidated financial statements.

Strategic Considerations

The Trustees regularly canvas issues of strategic importance to the long term future of the Trust. This includes wide ranging

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Chairman's Report

For the year ended 31 March 2014

discussion with the Company Directors. An annual Trustee/Director workshop is held to discuss long term Company plans mindful of economic, political and regulatory issues, as well as technical advances potentially impacting the Company and/or Trust ownership. Future investment direction for the Company and Trust has also been considered.

The Trust takes an active interest in considering broader industry and ownership issues including through the forum of the Energy Trusts of New Zealand (ETNZ).

Ownership Review

The second review of ownership of shares in Counties Power Limited since the formation of the Trust has been concluded. The process included external review and advice together with a opportunity for public submissions. No submissions were received. The Trustees resolved to continue Trustee ownership. This was endorsed by the Counties Power Limited Board of Directors.

Trust Finances

The audited Financial Statements of Counties Power Consumer Trust (which includes those of the Company), can be obtained from the Trust Secretary, P O Box 580, Pukekohe. They are also available on the Trust's web site www.countiespowertrust.org.nz

The Trust operated its affairs with both income and costs being over budget, achieving a surplus of \$189,109 (2013: \$243,354) being \$27,849 higher than anticipated, in spite of return on investments being less than expected.

While Australasian banks escaped the extremes of the 2009 financial crisis experienced in the northern hemisphere, the Trustees adopt a prudent approach and continue to spread cash assets across a minimum of three NZ registered banks with an S&P rating of AA or better.

Directors of Counties Power Limited

At the 2013 Annual Meeting of the Company, both Mr Peter Fitzsimmons and Mr Jeffrey Wilson retired by rotation and the Trustees reappointed both for a further term.

Effective 31 January 2014 Mr Paul Brown and Mr Jeffrey Wilson retired and Ms Barbara Elliston and Mr Doug Troon were appointed as Directors. At the Annual Meeting of the Company, to be held on 30 July 2014, Mr Peter Fitzsimmons has indicated he will retire.

The Directors of Counties Power Limited at 31 March 2014 were Messrs Peter Fitzsimmons (Chairman), Hamish Stevens (Deputy Chairman), Malcolm Don, Vern Dark, Doug Troon and Mesdames Liz Oliver and Barbara Elliston. (Mr Stevens was appointed Chairman in May 2014).

Trustees of the Counties Power Consumer Trust

As at 31 March 2014, the Trustees of Counties Power Consumer Trust were Messrs Alan Eyes (Chairman), Phil Beston, Ganges Singh, Don Thomson and Mrs Christine Rupp. Under the terms of the Trustee Deed, the longest serving Trustee must retire after six years and be joined by one other. Should more nominations be received than vacancies, an election will be held.

Counties Power Consumer Trust

Chairman's Report

For the year ended 31 March 2014

An election was due to be held in the 2013 calendar year, with both Mr Beston and Mr Thomson standing down. Nominations opened (with public notices being placed in the local newspapers and on the Trust's website) on 7 May 2013. At closing date (18 June) only two nominations had been received for the two vacancies. The Electoral Officer, therefore declared the two candidates (Mr Beston and Mr Thomson) elected unopposed with notices again going to the local newspapers (and Trust website) publically advising the outcome.

The next election is due to be held in the 2015 calendar year, with Mr Singh being required to stand down along with one other.

Beneficiary Requests for Information

There have been no requests made by beneficiaries for information during the year.

Amendments to the Trust Deed

There have been no alterations to the Trust Deed in the year ended 31 March 2014.

Conclusion

Your Trustees will continue to monitor the investment in Counties Power Limited.

The mutual objectives we share with the Chairman and Directors of the Company will continue as we strive for the best outcomes for consumers of Counties Power Limited.

The major asset of the Trust, Counties Power Limited, has been governed by the Directors and managed by its executive. Thanks are accorded them and the staff who carry out the day to day functions of the business. In particular, I pay tribute to Mr Peter Fitzsimmons for his huge contribution to the Company, first as a Director and then as Chairman. Also to Mr Paul Brown and Mr Jeffrey Wilson for their long service on the Board and application of their many skills and experience. The Trust also records appreciation to Mr Neil Simmonds who retired on 31 March 2014 after 13 year service as CEO of Counties Power Limited.

I thank my fellow Trustees for their contributions to the various matters considered during the year regarding the Trust. My thanks also to the Trust Secretary Gail Riddell for her diligent attention to secretarial and accounting matters.



Alan Eyes

CHAIRMAN

27 June 2014

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Chairman's Report
For the year ended 31 March 2014

TRUSTEES' STATEMENT

For the Year ended 31 March 2014

Scheduled Meetings and Attendance

	SCHEDULED	ATTENDANCE
Alan Eyes (Chairman)	14	13
Phil Beston	14	14
Christine Rupp	14	14
Ganges Singh	14	14
Don Thomson	14	14

In addition there were 4 Quarterly Shareholder meetings (all attended except for one Trustee at one meeting).

Remuneration

Trustees' remuneration received (or due and receivable) during the year was as follows:-

	31 March 2014 \$	31 March 2013 \$
A D Eyes (Chairman)	28,410	28,320
P S Beston	15,930	15,735
C P Rupp	16,730	15,735
G Singh	16,230	15,735
D W Thomson	16,230	15,585

Employees

The Trust is not an employer. The Secretary is an independent contractor who is engaged as a primary adviser and to carry out the administrative tasks of the Trust on an 'as required' basis.

Trustee Insurance

The Trust Deed indemnifies its Trustees and Officers against any losses or liabilities which arise out of their normal duties as Trustees and Officers, unless the loss or liability relates to dishonesty or breach of trust. To manage this risk, the Trust carries Trustee Liability Insurance.

Counties Power Consumer Trust
Consolidated Statement of Comprehensive Income
For the year ended 31 March 2014

	Notes	2014 \$'000		2013 \$'000	
		Group	Parent	Group	Parent
Gross Revenue from continuing operations	6	54,186	-	50,999	-
Less Consumer Discounts	6	(9,513)	-	(9,377)	-
		<u>44,673</u>	<u>-</u>	<u>41,622</u>	<u>-</u>
Other income and gains	7	412	499	400	526
Expenses, excluding finance costs	8	(33,411)	(310)	(30,539)	(283)
Finance costs - net	8	(64)	-	(67)	-
		<u>11,610</u>	<u>189</u>	<u>11,416</u>	<u>243</u>
Operating Surplus before income tax	9b	11,610	189	11,416	243
Income tax credit/(expense)	9a	(3,103)	-	(3,113)	-
Profit from Discontinued Operations after Tax		-	-	(261)	-
		<u>8,507</u>	<u>189</u>	<u>8,042</u>	<u>243</u>
Profit for the year after income tax		8,507	189	8,042	243
Other Comprehensive Income					
Cash flow hedges – net of tax		(198)	-	-	-
Fair value gain/(loss) on the revaluation of property, plant and equipment		540	-	-	-
Deferred tax recognised in equity on the net gain/(loss) on the revaluation of property, plant and equipment		(79)	-	-	-
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other comprehensive income		-	-	-	-
Total comprehensive income		<u>\$ 8,770</u>	<u>\$ 189</u>	<u>\$ 8,042</u>	<u>\$ 243</u>

Consolidated Statement of Changes in Equity
For the year ended 31 March 2014


	Notes	2014 \$'000		2013 \$'000	
		Group	Parent	Group	Parent
Equity at beginning of the financial year		184,213	36,006	176,171	35,762
Profit for the year		8,507	189	8,042	243
Cash flow hedges – net of tax		(198)	-	-	-
Deferred tax on revaluations	15, 22	(79)	-	-	-
Movement in asset revaluation reserve	14, 22	540	-	-	-
Total recognised revenue and expenses for the year		<u>8,770</u>	<u>189</u>	<u>8,042</u>	<u>243</u>
Total equity at the end of the financial year		<u>\$ 192,983</u>	<u>\$ 36,195</u>	<u>\$ 184,213</u>	<u>\$ 36,006</u>

The above statements of comprehensive income and equity changes should be read in conjunction with the accompanying notes.

Counties Power Consumer Trust
Consolidated Statement of Financial Position
As at 31 March 2014

	Notes	2014 \$'000		2013 \$'000	
		Group	Parent	Group	Parent
ASSETS					
Current assets					
Cash and cash equivalents	10	5,586	5,377	5,386	5,165
Receivables	11	5,387	10	5,351	43
Inventories	12	314	-	341	-
Construction contracts in progress	13	62	-	83	-
Current tax receivables		-	-	94	-
Finance lease receivable	17	37	-	21	-
Total current assets		11,386	5,387	11,276	5,208
Non-current assets					
Property, plant and equipment	14	228,425	12	214,044	12
Prepayments		20	20	22	22
Intangible assets	16	571	-	400	-
Investment in Subsidiary		-	30,797	-	30,797
Derivative financial instruments	32	-	-	-	-
Finance lease receivable	17	784	-	557	-
Total non-current assets		229,800	30,829	215,023	30,831
Total assets		241,186	36,216	226,299	36,039
LIABILITIES					
Current liabilities					
Payables	18	7,012	21	7049	33
Current Tax Payable		136	-	-	-
Employee benefits	19	1,133	-	961	-
Borrowings	20	-	-	800	-
Derivative financial instruments	32	275	-	-	-
Total current liabilities		8,556	21	8,810	33
Non-current liabilities					
Deferred tax liabilities	15	34,247	-	33,276	-
Borrowings	20	5,400	-	-	-
Total non-current liabilities		39,647	-	33,276	-
Total liabilities		48,203	21	42,086	33
Net assets		\$ 192,983	\$ 36,195	\$ 184,213	\$ 36,006
EQUITY					
Share capital	21	30,797	30,797	30,797	30,797
Retained earnings	22	128,187	5,398	119,680	5,209
Cash flow hedge reserve	22	(198)	-	-	-
Revaluation reserve	22	34,197	-	33,736	-
Total equity		\$ 192,983	\$ 36,195	\$ 184,213	\$ 36,006


 Chairman of Trustees


 Secretary

Date 24/07/2014

The above statement of financial position should be read in conjunction with the accompanying notes.

Counties Power Consumer Trust
Consolidated Cash flow Statement
For the year ended 31 March 2014

	Notes	2014 \$'000		2013 \$'000	
		Group	Parent	Group	Parent
Cash flows from operating activities					
Receipts from customers (inclusive of goods and services tax)		53,938	-	51,022	-
Payments to suppliers and employees		(32,416)	(321)	(29,114)	(268)
Net GST paid		(1,550)	-	(1,983)	-
Sundry income		7	7	7	7
Dividend received		-	300	-	300
Interest received		347	223	301	215
Interest paid		(64)	-	(67)	-
RWT & income taxes paid		(1,906)	-	(2,430)	(3)
RWT & income tax refund		3	3	-	-
Net cash inflow from operating activities	24	18,359	212	17,736	251
Cash flows from investing activities					
Payments for property, plant and equipment		(22,386)	-	(15,131)	-
Payments for intangible assets - computer software	16	(443)	-	(221)	-
Proceeds from sale of property, plant & equipment		70	-	42	-
Net cash (outflow) from investing activities		(22,759)	-	(15,310)	-
Cash flows from financing activities					
Proceeds from borrowings		5,400	-	-	-
Repayment of borrowings		(800)	-	(2,100)	-
Net cash (outflows)/inflow from financing activities		4,600	-	(2,100)	-
Net (decrease)/increase in cash and cash equivalents		200	212	326	251
Cash and cash equivalents at the beginning of the year		5,386	5,165	5,060	4,914
Cash and cash equivalents at end of the year	10	\$ 5,586	\$ 5,377	\$ 5,386	\$ 5,165

The above cash flow statement should be read in conjunction with the accompanying notes.

Counties Power Consumer Trust

Notes to (and forming part of) the Consolidated Financial Statements For the year ended 31 March 2014

1. General Information

Entities Reporting

Counties Power Trust was constituted on 17 May 1993 by a Trust Deed dated 10 May 1993 and resettled on 14 September 1995 as Counties Power Consumer Trust ("the Trust").

"The Company" refers to the wholly owned subsidiary, Counties Power Limited.

Counties Power Limited owns and operates an electricity distribution network for the conveyance of electricity, supplies of electrical equipment and provides electrical contracting services in the Counties region of New Zealand. The Company is designated as a profit oriented entity for financial reporting purposes. The Company is an unlisted limited liability Company incorporated and domiciled in New Zealand. The address of its registered office is Glasgow Road, Pukekohe.

These financial statements are for the year ended 31 March 2014. The financial statements for the "Parent" are those of the Trust. The Trust is designated as a non profit oriented entity for financial reporting purposes.

The consolidated financial statements for the "Group" are for the economic entity comprising the Trust and its wholly owned subsidiary, Counties Power Limited.

The authorisation and distribution of the financial statements will be ratified by the Trustees for issue on 30 July 2014.

2. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

(a) Basis of preparation and consolidation

The general purpose financial statements are 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 oriented entities. The financial statements also comply with International Financial Reporting Standards (IFRS).

Statutory base

The financial statements have been prepared in accordance with the requirements of the Energy Companies Act 1992, Financial Reporting Act 1993 and the Companies Act 1993.

Historical cost convention

The financial statements are prepared under the historical cost convention, and where appropriate, modified by the revaluation of financial assets and liabilities and certain classes of property, plant and equipment.

Basis of consolidation

All material transactions between the Trust and its wholly owned subsidiary are eliminated on consolidation. In the Trust financial statements, investments are stated at cost.

Counties Power Consumer Trust

Notes to (and forming part of) the Consolidated Financial Statements For the year ended 31 March 2014

2. Summary of significant accounting policies (continued)

(b) Foreign currency translation

Functional and presentation currency

Items included in the financial statements of the Group's operations are measured using the currency of the primary economic environment in which it operates ('the functional currency'). The financial statements are presented in New Zealand dollars, rounded to the nearest thousand dollars, which is the Group's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

(c) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services (including lines charges) provided in the normal course of business, net of of customer discounts when paid and Goods and Services Tax.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Group and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

i) *Lines revenue*

The Company operates electricity distribution networks and sells distribution services to electricity retailers. Sales of the lines revenue are recognised when the Company has delivered products to the customer, and collectability of the related receivables is reasonably assured.

ii) *Construction contracting*

The Company uses the 'percentage of completion method' to determine the appropriate amount of revenue to recognise in a given year. The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each significant contract. Costs incurred in the year in connection with future activity on a contract are excluded from the contract costs in determining the stage of completion. They are presented as inventories, prepayments or other assets, depending on their nature.

Contract costs are recognised when incurred.

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the year of the contract. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

Counties Power Consumer Trust

Notes to (and forming part of) the Consolidated Financial Statements For the year ended 31 March 2014

2. Summary of significant accounting policies (continued)

(c) Revenue recognition (continued)

iii) *Interest income*

The Group recognises interest income on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income.

The Trust recognises interest when received. Interest on any unexpired investment at the end of the reporting period is accrued at the rate of the particular investment.

iv) *Dividend income*

Dividends are recognised when received.

v) *Capital contributions*

The Group recognises capital contributions as revenue in the year in which the contribution is earned.

vi) *Rental income*

Rental income is recognised on an accruals basis in accordance with the substance of the relevant agreements.

vii) *Other sales and service revenue*

Sales of goods

Sales of goods are recognised when the Group has delivered a product to the customer. Retail sales are usually in cash or by credit card. The recorded revenue is the gross amount of sale, including credit card fees payable for the transaction. Such fees are included in distribution costs.

Sales of Services

Sales of services are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

(d) Income tax

The income tax expense for the year is the tax payable on the current year's taxable income based on the notional income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Counties Power Consumer Trust

Notes to (and forming part of) the Consolidated Financial Statements For the year ended 31 March 2014

2. Summary of significant accounting policies (continued)

(d) Income Tax (continued)

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

(e) Goods and Services Tax (GST)

Parent: The financial statements of the Trust are prepared on a GST inclusive basis as the Trust is not (and cannot be) registered for GST purposes.

Group: The Group's statement of comprehensive income is prepared so that all components, other than Trust components, are stated exclusive of GST. All items in the Group's statement of financial position, other than Trust components, are also stated exclusive of GST with the exception of receivables and payables which include GST invoiced.

(f) Impairment of non-financial assets

All assets are reviewed for impairment annually and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Where the estimated recoverable amount of an asset is less than its carrying amount, the asset is written down. The impairment loss is recognised in the statement of comprehensive income.

(g) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

(h) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence, such as default, that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. Changes in the amount of the provision are recognised in the statement of comprehensive income.

Counties Power Consumer Trust

Notes to (and forming part of) the Consolidated Financial Statements For the year ended 31 March 2014

2. Summary of significant accounting policies (continued)

(i) Inventories

Raw materials and consumables

Raw materials and consumables are stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on a first-in-first-out basis. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(j) Property, plant and equipment

Land, buildings and distribution assets are shown at fair value, based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation (excluding land). Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. At the end of each reporting period between the triennial period and the valuation, a review is undertaken to ensure that the carrying value of the distribution network is recorded at fair value.

All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the assets' carrying amounts or recognised as separate assets, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Increases in the carrying amounts arising on revaluation of land, buildings and distribution assets are credited to revaluation reserves in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in the statement of comprehensive income, the increase is first recognised in the statement of comprehensive income. Decreases that reverse previous increases of the same assets are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the asset; all other decreases are charged to the statement of comprehensive income.

Land is not depreciated. Depreciation is charged so as to write off the cost or valuation of assets, over their estimated useful lives, using either straight-line (SL) or the diminishing value (DV) method. The following estimated useful lives are used in the calculation of depreciation.

Distribution System	5 to 60 years SL
Buildings	40 to 100 years SL
Meters & Relays	15 years SL
Plant & Equipment	1 to 10 years DV
Fibre Network	10 to 11 years SL

The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period and adjusted if appropriate.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the statement of comprehensive income. When revalued assets are sold, it is Group policy to transfer the amounts included in other reserves in respect of those assets, to retained earnings.

Counties Power Consumer Trust

Notes to (and forming part of) the Consolidated Financial Statements

For the year ended 31 March 2014

2. Summary of significant accounting policies (continued)

(k) Intangible assets

(i) *Research and development*

Research and development expenditure on research activities is recognised in the statement of comprehensive income as an expense when it is incurred.

(ii) *Computer software*

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (one to seven years). Costs associated with developing or maintaining computer software programmes are recognised as an expense when incurred.

(l) Leases

Operating leases as lessee

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

Finance leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessee are classified as a finance lease.

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned income.

Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

(m) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(n) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. The Group has defined the threshold for capturing interest as being "any assets taking longer than three months to construct, or is greater than \$500,000".

All other borrowing costs are recognised in the statement of comprehensive income in the period in which they are incurred.

Counties Power Consumer Trust

Notes to (and forming part of) the Consolidated Financial Statements For the year ended 31 March 2014

2. Summary of significant accounting policies (continued)

(o) Borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

(p) Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, the future sacrifice of economic benefits is probable and the amount of the provision can be measured reliably. Provisions are measured at the Company's best estimate of the expenditure required to settle the obligation at reporting date, and are discounted to present value where the effect is material.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

(q) Employee benefits

Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the effective interest method.

Consideration is given to expected future wage and salary levels, experience of employee departures and years of service.

Retirement benefit obligations

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis.

The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Counties Power Consumer Trust

Notes to (and forming part of) the Consolidated Financial Statements For the year ended 31 March 2014

2. Summary of significant accounting policies (continued)

(q) Employee benefits (continued)

Bonuses

The Group recognises a liability and an expense for bonuses. The Group recognises a provision where contractually obliged or where this is a past practice that has created a constructive obligation.

(r) Contributed equity

Ordinary shares are classified as equity.

(s) Dividends

Provision is made for the amount of any dividend declared on or before the end of the financial year but not distributed at reporting date.

(t) Investments and other financial assets

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held to maturity investments; 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 the initial recognition and re-evaluates this designation at every reporting date.

The Group does not have any held to maturity investments or available for sale financial assets.

(i) *Financial assets at fair value through profit and loss*

This category has two sub categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the reporting date.

(ii) *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 Group 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 the reporting date which are classified as non-current assets. Loans and receivables are included in 'trade and other receivables' in the statement of financial position.

(u) Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Counties Power Consumer Trust

Notes to (and forming part of) the Consolidated Financial Statements For the year ended 31 March 2014

2. Summary of significant accounting policies (continued)

(v) Derivative financial instruments and hedging activities (continued)

The Group designates certain derivatives as hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge). Presently the Group only has forward foreign exchange contracts that it designates as hedges relating to the purchase of capital equipment in foreign currencies.

The fair values of various derivative instruments used for hedging purposes are disclosed in note 32. Movements on the hedging reserve in shareholders' equity are shown in note 22. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within 'other gains/(losses) – net'.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss. The gain or loss relating to the ineffective portion is recognised in the income statement within 'other gains/(losses) – net'. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, fixed assets), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in depreciation in the case of fixed assets.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement within 'other gains/(losses) – net'.

(w) Discontinued Operations

The results of discontinued operations are presented separately in the face of the statement of comprehensive income.

Counties Power Consumer Trust

Notes to (and forming part of) the Consolidated Financial Statements For the year ended 31 March 2014

3. Financial risk management

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by management under policies approved by the Board of Directors. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, and credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

(a) Market risk

(i) Foreign exchange risk

The Group manages exposure in forecasted foreign currency exposure arising out of the capital expenditure programme in accordance with treasury policy. The Group treasury risk management policy is to hedge up to 80% of anticipated cash flows, in each major foreign currency for the subsequent 12 months. In this respect, the Group has hedged the forecasted foreign currency exposure arising out of the capital expenditure programme through forward exchange contracts. Accordingly, at balance date, there is no significant exposure to foreign currency risk.

Sensitivity Analysis

Forward exchange contracts hedging the forecasted foreign currency exposure arising out of the capital expenditure programme are treated as cash flow hedges, hence any changes in foreign exchange rates would have no material impact on net profit/(loss) as changes in the fair value of these forward exchange contracts are taken through other comprehensive income where the hedge is an effective hedge.

A ten percent increase or decrease in foreign exchange is used for the foreign exchange rate sensitivity analysis. The impacts on comprehensive income of these changes in the foreign exchange rates are shown in the table below.

	2014	2014	2013	2013
	+10%	-10%	+10%	-10%
	\$'000	\$'000	\$'000	\$'000
Impact on Comprehensive Income	(662)	359	-	-
Total	(662)	359	-	-
Equity	(662)	359	-	-

(ii) Cash flow and fair value interest rate risk

As the Group has no significant variable rate interest-bearing assets, the Group's income and operating cash inflows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

Counties Power Consumer Trust

Notes to (and forming part of) the Consolidated Financial Statements For the year ended 31 March 2014

3. Financial risk management (continued)

(a) Market risk (continued)

Group policy currently, for non-core debt, is to maintain a funding facility that provides the appropriate flexibility for the fluctuating requirements at the lowest cost. Hedging arrangements using swaps, collars or options for between 50% to 70% of the exposure are permitted.

Where operational activities lead to the creation of a core level of borrowings, this debt will be hedged one third by an interest rate swap, one third by a two year fixed rate cap and one third by a three year fixed rate cap.

The impact of a movement of +/- 1% in the interest rate would impact the interest expense for 2014 by \$54,000. (2013: \$8,000).

(b) Credit risk

Credit risk arises from cash and cash equivalents, and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted.

The Trust considers only those institutions with a minimum rating of 'AA-'.

Otherwise, management assesses the credit quality of customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash.

The Group incurs credit risk from transactions with trade debtors and financial institutions in the normal course of business. At reporting date the Group had a significant concentration of credit risk relating to the amount receivable from Electricity Retailers. The Group has a programme to manage this risk concentration, including monitoring the credit status of the major debtor, adhering to specific credit policy requirements and having the contractual ability to require security to be provided by these customers under certain circumstances.

One customer comprised 30% of the Group's total trade and other receivables as at 31 March 2014 (2013: 32%). Subsequent to the balance dates, the amounts due were cleared. The Group does not expect the non-performance of any material obligations as at reporting date.

The Group does not generally require collateral or security to support financial instruments other than as outlined above, due to the quality of the financial institutions dealt with.

No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties.

(c) Liquidity risk

Liquidity risk management has the objective of maintaining sufficient cash and the availability of funding through an adequate amount of credit facilities to meet the short and long term commitments of the Group as they arise in an orderly manner. Management monitors rolling forecasts of the Group's liquidity requirements on the basis of expected cash flow. The Board of Directors approves all new borrowing facilities.

Counties Power Consumer Trust

Notes to (and forming part of) the Consolidated Financial Statements For the year ended 31 March 2014

3. Financial risk management (continued)

(c) Liquidity risk (continued)

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Parent and Group At 31 March 2014	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	6,991	-	-	-
Bank loans	-	-	5,400	-
Derivatives Financial Instruments (Fair values)	275	-	-	-
At 31 March 2013				
Trade and other payables	7,016	-	-	-
Bank and loans	800	-	-	-
Derivatives Financial Instruments (Fair values)	-	-	-	-

(d) Fair value estimation

The Group has discounted long term receivables and payables at the implicit rate for finance leases receivable, and at the cost of borrowing for other items.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

Financial assets and financial liabilities are recognised on the Group's Statement of Financial Position when the Group becomes a party to the contractual provisions of the instrument.

NZ IFRS 7 for financial instruments requires disclosure of the fair value measurements by level from the following fair value hierarchy:

- Level 1 – Quoted price (unadjusted) in active markets for identical assets and liabilities;
- Level 2 – Inputs, other than quoted price included within level 1, that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices);
- Level 3 – Inputs for assets and liabilities that are not based on observable market data (that is, unobservable inputs).

The only financial instruments held by the Group that are measured at fair value are over the counter derivatives. These derivatives have all been determined to be within level 2 of the fair value hierarchy as all significant inputs required to ascertain the fair value of these derivatives are observable (refer Note 3(a)(i)). Credit risk is incorporated into the valuation of derivatives.

Counties Power Consumer Trust

Notes to (and forming part of) the Consolidated Financial Statements For the year ended 31 March 2014

3. Financial risk management (continued)

(e) Capital risk management (continued)

The Group manages its capital structure and makes adjustments to it in light of economic conditions. To maintain or adjust the existing structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made to the objectives, policies or processes during the years ended 31 March 2014 and 2013.

The Company monitors its compliance with banking covenants as required by its bankers, Westpac Banking Corporation. There have been no breaches during the year.

The Company monitors equity using a gearing ratio, which is net debt divided by total equity plus debt. The Company includes within net debt borrowings and term liabilities less cash and cash equivalents.

The Trust has no borrowings.

The gearing ratios are as follows:

	Notes	2014 \$'000		2013 \$'000	
		Group	Parent	Group	Parent
Borrowings	20	5,400	-	800	-
Less: Cash and bank	10	(5,586)	(5,377)	(5,386)	(5,165)
Net debt		(186)	-	4,586	-
Equity		192,983	36,195	184,213	36,006
Equity plus net debt		193,169	36,006	188,799	36,006
Gearing ratio		0%	0%	2%	0%

Counties Power Consumer Trust

Notes to (and forming part of) the Consolidated Financial Statements

For the year ended 31 March 2014

4. Critical Judgements in Applying the Entity's Accounting Policies

Critical accounting judgements and key sources of estimation uncertainty

In the process of applying the entity's accounting policies, which are described in note 2, management has made the following judgements that have the most significant effect on the amounts recognised in the Financial Statements (apart from those involving estimations, which are dealt with below).

- (i) **Electricity line revenue recognition**
Part of the line revenues are based on normalisation, where consumption is estimated to the end of the billing period based on historical actual electricity usage. Occasionally historical electricity usage data is not consistent and subsequent adjustments are made. These adjustments are immaterial compared with total network revenue (refer to note 11).
- (ii) **Construction contracting**
The Group uses the percentage of completion method in accounting for its fixed price contracts to deliver, design and construct assets and provide services. Use of the percentage of completion method requires the Group to estimate the total cost of the contracts in order to determine the proportion of costs to date to the total costs which it uses as an approximation of the percentage complete.
- (iii) **Valuation of network distribution system**
The Group estimates the fair value of the distribution network using independent valuers in accordance with the property, plant and equipment accounting policy. Because of the specialised nature of the network and the infrequency of network sale transactions, there is a lack of market-based evidence available to determine fair value. The valuation has therefore been determined using the discounted cash flow method. The major inputs that are used in the valuation model that require management judgement include load growth and pricing, projected operational and capital expenditure profiles and discount and inflation rates as detailed in Note 14.
- (iv) **Valuation of Buildings and Land**
In accordance with its accounting policy the Group revalues its properties at least once every three years. The valuations, which are performed by independent valuers, involve estimates as detailed in Note 14.
- (v) **Valuation of electricity price derivatives**
All electricity price derivatives were terminated in the year ended 31 March 2013 following the exit from electricity retailing activities (refer to note 30).
The fair value of electricity price derivatives that are not traded in an active market is determined using valuation techniques. Judgements and assumptions are made based mainly on market conditions at the end of the reporting period. A discounted cash flow analysis was used for the valuation of the electricity price derivatives using a forward price curve based on the ASX electricity futures hedge market.

Counties Power Consumer Trust

Notes to (and forming part of) the Consolidated Financial Statements

For the year ended 31 March 2014

5. New Standards

Standards, amendments and interpretations to existing standards that were adopted by the Group from 1 April 2013:

- NZ IAS 1 Amendments Presentation of Items of Other Comprehensive Income (effective 1 July 2012). The amendment requires entities to separate items presented in other comprehensive income into two groups, based on whether they may be recycled to profit or loss in the future. This does not affect the measurement of any of the items recognised in the balance sheet or the profit or loss in the current period.
- NZ IFRS 10 "Consolidated Financial Statements" (mandatory for annual periods beginning on or after 1 January 2013). NZ IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements. The standard provides additional guidance to assist in determining control where this is difficult to assess. This new standard has not had a significant impact on the Company or Group.
- NZ IFRS 13 "Fair Value Measurement" (mandatory for annual periods beginning on or after 1 January 2013). NZ IFRS 13 defines fair value, sets out a framework for measuring fair value and requires disclosures about fair value measurements. Application of this standard by the Group and Company has not had any significant impact on any of the amounts recognised in the financial statements or the information in the financial statements.
- XRB A1 The Group has adopted External Reporting Board Standard A1 Accounting Standards Framework (for profit entities) (XRB A1). XRB A1 establishes for profit tier structure and outlines which suite of accounting standards entities in different tiers must follow. The Group is a Tier 1 entity. There is no impact on the financial statements of the Group.
- Revised NZ IAS 27 Separate Financial Statements. This revised standard is effective from 1 January 2013, is renamed Separate Financial Statements and is now a standard dealing solely with separate financial statements. Application of this standard by the Group and Company has not had any significant impact on any of the amounts recognised in the financial statements or the information disclosed in relation to the Company's investments disclosed in the financial statements.

New standards, amendments and interpretations to existing standards that are not yet effective which the Group has not early adopted:

- NZ IFRS 9 "Financial instruments: classification and measurement" (mandatory for annual periods beginning on or after 1 January 2015). There are a number of changes under this standard in relation to the measurement and classification of financial instruments. The Group is reviewing the standard for its implications on the Group and intends to adopt NZ IFRS 9 from 1 April 2015.
- NZ IFRS 15 "*Revenue from contracts with customers*" (effective for annual periods beginning on or after 1 January 2017). IFRS 15 addresses recognition of revenue from contracts with customers. It replaces the current revenue recognition guidance in IAS 18 *Revenue* and IAS 11 *Construction contracts* and is applicable to all entities with revenue. It sets out a 5 step model for revenue recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Group has yet to assess IFRS 15's full impact. The Group will apply this standard from 1 April 2017.

Counties Power Consumer Trust

Notes to (and forming part of) the Consolidated Financial Statements For the year ended 31 March 2014

	Notes	2014 \$'000		2013 \$'000	
		Group	Parent	Group	Parent
6. Revenue					
From continuing operations					
Electricity line revenue		48,372	-	44,611	-
Less Consumer discounts		(9,513)	-	(9,377)	-
		38,859		35,234	
Other sales and service revenue		2,055	-	2,029	-
Construction contract revenue		1,871	-	1,969	-
Capital Contributions		1,888	-	2,390	-
Total from continuing operations		\$ 44,673	\$ -	\$ 41,622	\$ -
7. Other income					
Electricity Price Derivative (Net Fair value gain)		-	-	-	-
Gain on disposal of fixed assets		25	-	14	-
Sundry income		71	7	82	7
Dividend income		-	300	-	300
Interest income		316	192	305	220
		\$ 412	\$ 499	\$ 401	\$ 527
8. Expenses					
Expenses, excluding finance costs, included in the statement of comprehensive income classified by nature					
Employee benefits expense		11,403	-	8,830	-
Depreciation and amortisation expense		8,769	-	8,068	-
Transmission costs		10,087	-	9,436	-
Less: Rental Rebates		(577)	-	(980)	-
Other expenses		3,729	310	5,185	283
		\$ 33,411	\$ 310	\$ 30,539	\$ 283
Finance costs		64	-	67	-
Included in expenses above					
Depreciation					
Plant & vehicles	14	1,295	-	1,015	-
Buildings	14	179	-	169	-
Distribution system	14	6,820	-	6,520	-
Meters & relays	14	36	-	54	-
Fibre network	14	167	-	111	-
Total depreciation		\$ 8,497	\$ -	\$ 7,869	\$ -
Amortisation					
Computer software	16	272	-	199	-
Total amortisation		\$ 272	\$ -	\$ 199	\$ -

Counties Power Consumer Trust

Notes to (and forming part of) the Consolidated Financial Statements

For the year ended 31 March 2014

	Notes	2014 \$'000	2013 \$'000	
		Group	Parent	Group
				Parent
9. Income tax expense				
(a) Income tax expense				
The tax on the Groups profit before tax differs from the theoretical amount that would arise using the eighted average tax rate applicable to profits of the Group as follows:				
Current tax		2,135	-	1,629
Deferred tax		968	-	1,484
		<u>\$ 3,103</u>	<u>\$ -</u>	<u>\$ 3,113</u>
				<u>\$ -</u>
(b) Numerical reconciliation of income tax expense to prima facie tax payable				
Profit before tax		11,610	189	11,416
Add imputation credits attached to dividend		117	117	129
Income not subject to tax		-	-	-
Expenses not deductible for tax purposes		(46)	-	14
Taxable profit		<u>\$ 11,681</u>	<u>\$ 306</u>	<u>\$ 11,559</u>
				<u>\$ 372</u>
Income tax expense attributable to taxable profits		3,370	101	3,339
Tax effect of tax loss carried forward		(101)	(101)	(123)
Prior year adjustments		(166)	-	(103)
Non-deductible depreciation on buildings		-	-	-
Change in corporate Tax Rate		-	-	-
Income tax expense		<u>\$ 3,103</u>	<u>\$ -</u>	<u>\$ 3,113</u>
				<u>\$ -</u>
(c) Imputation credit account				
Balance as at 1 April		14,884	-	12,438
Income tax payments/RWT payments		1,906	-	2,427
Imputation credit attached to dividend		-	117	-
Imputation credits converted to loss carried forward		(117)	(117)	(129)
Refund received		-	-	-
Prior year adjustment		-	-	148
Other		-	-	-
Closing balance		<u>\$ 16,673</u>	<u>\$ -</u>	<u>\$ 14,884</u>
				<u>\$ -</u>
(d) Tax losses available				
Balance as at 1 April		974	974	918
Tax losses applied to Trustee income		(298)	(298)	(333)
Imputation credits converted to loss carried forward		354	354	389
Closing balance		<u>\$ 1,030</u>	<u>\$ 1,030</u>	<u>\$ 974</u>
				<u>\$ 974</u>

Counties Power Consumer Trust

Notes to (and forming part of) the Consolidated Financial Statements For the year ended 31 March 2014

	Notes	2014 \$'000	2013 \$'000	
		Group	Parent	Group
10. Cash and cash equivalents				
Bank balances		5,587	5,378	5,386
Closing Balance		<u>\$ 5,587</u>	<u>\$ 5,378</u>	<u>\$ 5,386</u>
(a) Bank balances				
Where applicable bank balances bear floating interest rates.				
(b) Fair value				
The carrying amount for cash and cash equivalents equals the fair value.				

11. Receivables

Trade receivables		854	-	1,155	-
Accrued revenue		4,303	-	3,930	-
Other receivables		8	8	39	39
Provision for doubtful receivables		(250)	-	(276)	-
Net trade receivables	29	<u>4,915</u>	<u>8</u>	<u>4,848</u>	<u>39</u>
Taxation Refund due		-	-	3	3
Sundry prepayments		472	2	501	2
Total Receivables		<u>\$ 5,387</u>	<u>\$ 10</u>	<u>\$ 5,352</u>	<u>\$ 44</u>
Provision for doubtful receivables					
Opening balance		276	-	221	-
Plus additional provision recorded during the year		(26)	-	55	-
Closing balance		<u>\$ 250</u>	<u>\$ -</u>	<u>\$ 276</u>	<u>\$ -</u>

(a) **Bad and doubtful trade receivables**

The Group has recognised an expense of \$68,092 in respect of bad and doubtful trade receivables during the year ended 31 March 2014. (2013: \$89,205). The movement has been included in 'expenses' in the statement of comprehensive income.

(b) **Fair value**

The carrying amount of trade and other receivables approximates fair values because all amounts are due within one month and there are no material amounts where settlement is expected in more than 12 months.

Trade receivables that are less than three months past due are not considered impaired. As at 31 March 2014, trade receivables of \$105,286. (2013: \$236,557) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of all past due trade receivables is as follows:

1 month overdue	77	-	136	-
2 months overdue	28	-	100	-
3 months overdue	16	-	19	-
Over 3 months	275	-	340	-
	<u>\$ 396</u>	<u>\$ -</u>	<u>\$ 595</u>	<u>\$ -</u>

Of the amounts 3 months or more overdue, \$250,000 has been provided for. (2013: \$276,000).

Counties Power Consumer Trust

Notes to (and forming part of) the Consolidated Financial Statements

For the year ended 31 March 2014

	Notes	2014 \$'000	2013 \$'000
		Group	Parent
12. Inventories			
Raw materials and consumables			
- at net realisable value		314	341
		\$ 314	\$ 341

13. Construction contracts in progress

Construction contract costs incurred and recognised	56	-	77	-
Recognised surplus on contracts	6	-	6	-
Total construction contracts in progress	\$ 62	\$ -	\$ 83	\$ -

14. Non-current assets – Property, plant and equipment

	Land \$'000	Buildings \$'000	Plant & vehicles \$'000	GROUP Meters & relays \$'000	Distribution system \$'000	Fibre network \$'000	Total \$'000	PARENT Plant & Equipment \$'000
At 1 April 2012								
Cost or valuation	9,123	6,588	11,602	12,586	187,778	748	228,424	17
Accumulated depreciation	-	(149)	(8,734)	(12,440)	-	(289)	(21,610)	(6)
Net book value	\$ 9,123	\$ 6,439	\$ 2,868	\$ 146	\$ 187,778	\$ 459	\$ 206,814	\$ 11
Year ended 31 March 2013								
Opening net book value	9,123	6,439	2,869	146	187,778	459	206,814	11
Additions	-	149	1,717	366	11,498	408	14,138	-
WIP	-	142	1	-	857	-	1,000	-
Disposals	-	(5)	(34)	-	-	-	(39)	-
Depreciation charge	-	(169)	(1,015)	(54)	(6,520)	(111)	(7,869)	-
Closing net book value	\$ 9,123	\$ 6,556	\$ 3,538	\$ 458	\$ 193,613	\$ 756	\$ 214,044	\$ 11
Year ended 31 March 2014								
Opening net book value	9,123	6,556	3,537	458	193,613	756	214,044	11
Additions	48	124	2,310	4,253	14,326	(64)	20,997	-
WIP	-	-	27	-	1,413	-	1,440	-
Revaluation surplus/(deficit) (Note 24)	257	283	-	-	-	-	540	-
Disposals	-	-	(99)	-	-	-	(99)	-
Depreciation charge	-	(179)	(1,295)	(36)	(6,820)	(167)	(8,497)	-
Closing net book value	\$ 9,428	\$ 6,784	\$ 4,480	\$ 4,675	\$ 202,532	\$ 525	\$ 228,424	\$ 11
At 31 March 2014								
Cost or valuation	9,428	7,281	15,524	17,205	215,872	1,092	266,402	17
Accumulated depreciation	-	(497)	(11,044)	(12,530)	(13,340)	(567)	(37,978)	(6)
Net book value	\$ 9,428	\$ 6,784	\$ 4,480	\$ 4,675	\$ 202,532	\$ 525	\$ 228,424	\$ 11

The Company's Network Fibre assets are held under finance lease arrangements as detailed in note 17.

Counties Power Consumer Trust

Notes to (and forming part of) the Consolidated Financial Statements

For the year ended 31 March 2014

14. Non-current assets – Property, plant and equipment (Continued)

Valuation Information

Distribution System Assets

Distribution system assets, excluding meters, relays, street lighting and radio communications were revalued to \$187 million at 31 March 2012. As the fair value of the assets is not able to be reliably determined using market based evidence, the valuation was prepared using discounted cash flow methodology. The valuation was independently prepared by Deloitte and the key assumptions used are shown in the table below. In all cases an element of judgement is required. The valuation is based on revenue and cost assumptions applied against a combination of WACC and CPI inflation rates that are generally in the mid-point of the range.

Assumptions	Valuation assumptions adopted	Low	High	Valuation Impact
Domestic load growth	0.5%	0.0%	1.0%	+/- \$10,000,000
Capital expenditure	\$101.8 m *	90.0%	110%	+/- \$13,000,000
WACC (with CPI inflation @ 2.43%)	7.0%	6.5%	7.5%	+\$22,000,000 -\$17,000,000
CPI inflation (with WACC @ 7.00%)	2.43%	2.0%	3.0%	+\$16,000,000 -\$11,000,000

* This amount represents capital expenditure over ten years, as shown in the Company's asset management plan, excluding terminal capital expenditure.

The key parameters of the DCF valuation undertaken last year have been reviewed as at 31 March 2014 and the carrying value of the network distribution assets of \$202.5m is confirmed as being appropriate.

Land and Buildings

The non-network land and buildings were revalued upwards by \$0.54 million as at 31 March 2014. These valuations were prepared by Marsh & Irwin Limited, independent valuers and property consultants with local experience. These valuations were carried out in accordance with API and PINZ Professional Practice and International Valuation Standards. The valuations were determined based on notional market rent assessed for the buildings based on rentals for larger commercial/industrial properties throughout South Auckland. The notional rental income was capitalised at a yield or return to reflect the nature of the property, age and conditions of the buildings.

If Distribution Network, land and buildings were stated on the historical cost basis, the amounts would be as follows:

Notes	2014 \$'000		2013 \$'000	
	Group	Parent	Group	Parent
Distribution Network – deemed cost	217,276	-	197,285	-
Less Accumulated Depreciation	36,534	-	31,087	-
Net book value	\$ 180,742	\$ -	\$ 166,198	\$ -
Land and buildings – deemed cost	6,479	-	6,307	-
Less Accumulated Depreciation	853	-	788	-
Net book value	\$ 5,626	\$ -	\$ 5,519	\$ -

Counties Power Consumer Trust

Notes to (and forming part of) the Consolidated Financial Statements For the year ended 31 March 2014

	Notes	2014 \$'000		2013 \$'000	
		Group	Parent	Group	Parent
15. Deferred tax liabilities					
Movements					
Opening deferred tax asset liability		33,276	-	31,929	-
Charge to the statement of comprehensive income		968	-	1,347	-
Change in corporate tax rate		(76)	-	-	-
Deferred tax recognised on revalued assets		79	-	-	-
Closing balance at 31 March		\$ 34,247	\$ -	\$ 33,276	\$ -
Deferred tax Assets:					
Deferred income tax asset to be recovered after more than 12 months		237	-	257	-
Deferred income tax asset to be recovered within 12 months		101	-	110	-
Closing balance at 31 March		\$ 338	\$ -	\$ 367	\$ -
Deferred tax liabilities:					
Deferred tax income tax liability to be recovered after more than 12 months		34,585	-	33,643	-
Closing balance at 31 March		34,247	-	33,276	-
Deferred income tax liabilities (net)		\$ 34,247	\$ -	\$ 33,276	\$ -

	Revaluation of property, plant and equipment \$'000	Accelerated depreciation \$'000	Group Other \$'000	Group Total \$'000	Parent \$'000
Deferred tax liabilities					
At 1 April 2012	27,746	4,552	(369)	31,929	-
Charged/(credited) to the statement of comprehensive income	-	1,349	(2)	1,347	-
At 31 March 2013	27,746	5901	(371)	33,276	-
Charged/(credited) to the statement of comprehensive income	-	982	(14)	968	-
Cash flow hedges	-	-	(76)	(76)	-
Charged directly to equity	79	-	-	79	-
At 31 March 2014	\$ 27,825	\$ 6,883	\$ (461)	\$34,247	\$ -

Counties Power Consumer Trust

Notes to (and forming part of) the Consolidated Financial Statements

For the year ended 31 March 2014

	Notes	2014 \$'000		2013 \$'000	
		Group	Parent	Group	Parent
16. Intangible assets					
Computer software					
Opening balance					
Cost		3,837	-	3,394	-
Accumulated amortisation		(3,266)	-	(2,994)	-
Net book value		\$ 571	\$ -	\$ 400	\$ -
Opening net book value		400	-	378	-
Additions		443	-	221	-
Disposals		-	-	-	-
Amortisation charge		(272)	-	(199)	-
Closing net book value		\$ 571	\$ -	\$ 400	\$ -
17. Finance leases					
Current receivables					
Finance leases – gross receivables		67	-	47	-
Unearned finance income		(30)	-	(26)	-
		37	-	21	-
Non-current receivables					
Finance leases – gross receivables		1,033	-	728	-
Unearned finance income		(249)	-	(171)	-
		784	-	557	-
Gross receivables from finance leases					
- No later than 1 year		67	-	47	-
- Later than 1 year and no later than 5 years		266	-	189	-
- Later than 5 years		767	-	539	-
		1,100	-	775	-
Unearned future finance income on finance leases		(280)	-	(197)	-
Net investment in finance leases		\$ 820	\$ -	\$ 578	\$ -
The net investment in finance leases may be analysed as follows:					
- No later than 1 year		37	-	21	-
- Later than 1 year and no later than 5 years		266	-	189	-
- Later than 5 years		517	-	368	-
		\$ 820	\$ -	\$ 578	\$ -

The Group has leased out its fibre network over the next 21 years.

Counties Power Consumer Trust

Notes to (and forming part of) the Consolidated Financial Statements For the year ended 31 March 2014

	Notes	2014 \$'000	2013 \$'000		
		Group	Parent	Group	Parent
18. Trade and other Payables					
Trade payables		2,999	21	3,457	33
Sundry accruals		1,261	-	1,236	-
Capital contribution liability		1,653	-	1,580	-
		5,913	21	6,273	33
Financial Lease – deferred income		1,099	-	776	-
Total payables		\$ 7,012	\$ 21	\$ 7,049	\$ 33

19. Employee benefits

Employee benefits	40	-	40	-
Employee Incentive	100	-	-	-
Retirement benefit obligations	270	-	286	-
Holiday Pay	723	-	635	-
Total Provisions	\$ 1,133	\$ -	\$ 961	\$ -

Provision is made for annual leave, bonuses and superannuation payments due to employees.

20. Bank borrowings

Unsecured - interest bearing

Bank loan – current	-	-	800	-
Bank loan – non-current	5,400	-	-	-
Total borrowings	\$ 5,400	\$ -	\$ 800	\$ -

(a) Interest rate risk exposures

Details of the Company's exposure to interest rate changes on interest bearing liabilities are set out in note 3.

(b) Financing arrangements

Unrestricted access was available at reporting date to the following lines of credit:

Credit standby arrangements

Total facilities - Bank loans	15,000	-	15,000	-
Used at reporting date	5,400	-	800	-
Unused at reporting date – Bank loans	\$ 9,600	\$ -	\$ 14,200	\$ -

The revolving credit bank loan facilities may be drawn down at any time. The banking loan is for \$15 million and expires on 20 November 2016. The Company intends to rollover the existing facility when it expires. There have been no breaches of debt covenant requirements during the year. (2013: nil) and the Company forecasts it will continue to comply with covenants. The covenants and requirements are:

Interest coverage

The ratio of EBIT to interest in respect of each period of 12 months ending on an annual or half-yearly balance date of the Company shall not be less than 3%.

Shareholder's funds to adjusted total tangible assets

Shareholder's funds are not to be less than 50% of adjusted total tangible assets at any time during the continuance of the facility.

The weighted average interest rate on borrowings was 4.18%. (2013: 3.77%).

Counties Power Consumer Trust

Notes to (and forming part of) the Consolidated Financial Statements For the year ended 31 March 2014

20. Bank borrowings (continued)

(c) Fair value

The fair value of the Company's current borrowings equals their carrying amount, as the impact of discounting is not significant.

	Fair Value \$'000		Carrying amount \$'000	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
On-statement of financial position				
Bank loans	(5,400)	(800)	(5,400)	(800)
Total bank loans	\$ (5,400)	\$ (800)	\$ (5,400)	\$ (800)

(d) Foreign currency risk exposure

All of the Group's borrowings are denominated in New Zealand dollars.

	Notes	2014 \$'000		2013 \$'000	
		Group	Parent	Group	Parent
21. Issued and paid up capital					
Share capital					
Ordinary shares		30,797	30,797	30,797	30,797
Total Share capital		\$ 30,797	\$ 30,797	\$ 30,797	\$ 30,797

(a) Ordinary shares

At 31 March 2014 there were 15,000,000 fully paid ordinary shares. (2013: 15,000,000).

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. All ordinary shares rank equally with one vote attached to each fully paid ordinary share. All shares have no value.

The most recent valuation of shares in Counties Power Limited was made by Ernst & Young Chartered Accountants as at 23 August 2000. The fair market value was fixed at between \$85 and \$90 million.

22. Reserves

Retained earnings

Opening balance	(119,680)	(5,209)	(111,638)	(4,966)
Net Surplus for the year	(8,507)	(189)	(8,042)	(243)
Closing balance	(128,187)	(5,398)	(119,680)	(5,209)

Asset revaluation reserve

Opening balance	(33,736)	-	(33,736)	-
Revaluations	540	-	-	-
Deferred tax	(79)	-	-	-
Effect of tax rate change	-	-	-	-
Closing balance	(34,197)	-	(33,736)	-

Counties Power Consumer Trust

Notes to (and forming part of) the Consolidated Financial Statements For the year ended 31 March 2014

22. Reserves (continued)

	Notes	2014 \$'000		2013 \$'000	
		Group	Parent	Group	Parent
Cash flow hedge reserve					
Opening balance		-	-	-	-
Forward foreign exchange contracts		(275)	-	-	-
Deferred tax		77	-	-	-
Closing balance		(198)	-	-	-
Total retained earnings and reserves		\$ (162,582)	\$ (5,398)	\$ (153,416)	\$ (5,209)

Dividends paid by the Company to the Trust was 2 cents per share. (2013: 2 cents per share). In the consolidated statements, this dividend has been eliminated.

23. Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditors of the Group, its related practices, non-related audit firms and other audit charges:

Audit services				
Auditing the Financial Statements	95	11	103	9
Auditing of Regulatory Services	54	-	25	-
Total Audit services	149	11	128	9
Other Services				
Other Advisory Services	24	-	2	2
Regulatory Advice	4	-	7	-
Total Remuneration of Other services	28	-	9	-
Total Remuneration of Auditors	\$ 177	\$ 11	\$ 137	\$ 11

24. Reconciliation of surplus after income tax to net cash inflow from operating activities

Reported surplus after tax	8,507	189	8,042	243
Depreciation and amortisation	8,769	-	8,068	-
Changes in Deferred Tax	968	-	1,347	-
Net loss/(gain) on sale of assets	(22)	-	(10)	-
	9,715	-	9,405	-
(Increase)/decrease in receivables	(281)	33	(55)	(2)
Increase/(decrease) in payables	113	(12)	1,002	13
Increase/(decrease) in employee benefits	74	-	108	-
(Increase)/decrease in income tax receivable	231	2	(766)	(3)
	137	(23)	289	8
Net cash inflow from operating activities	\$ 18,359	\$ 212	\$ 17,736	\$ 251

25. Contingent liabilities

The Company had \$50,000 of contingent liabilities as at 31 March 2014, relating to claims arising from a contractual dispute. (2013: \$nil).

Counties Power Consumer Trust

Notes to (and forming part of) the Consolidated Financial Statements For the year ended 31 March 2014

26. Commitments

(a) **Capital commitments**

The Company had \$4,746,000 committed for capital expenditure at 31 March 2014. (2013: \$207,000).

(b) **Operating lease commitments**

The Trust leases office premises and also archive space (in the local library). The Company has a lease agreement with Transpower New Zealand which commenced in July 2005 and terminates in 2025.

	2014 \$'000		2013 \$'000	
	Group	Parent	Group	Parent
Within 1 year	121	19	121	19
Later than 1 year and no later than 5 years	420	10	418	8
Later than 5 years	643	28	729	12
	<u>\$ 1,184</u>	<u>\$ 57</u>	<u>\$ 1,997</u>	<u>\$ 39</u>

27. Related party transactions

(a) **Parent**

The Company is 100% owned by the Trustees elected to the Counties Power Consumer Trust.

(b) **Transactions with related parties**

The following transactions occurred with related parties:

Directors' fees	\$ 299	\$ -	\$ 265	\$ -
Trustees' fees	\$ 93	\$ 93	\$ 91	\$ 91
Dividends paid	\$ 300	\$ -	\$ 300	\$ -

During the year, the Trust rented office premises from SBH Holdings in which a Trustee has an interest. The rent excluding rates and insurance, totalled \$17,349 inclusive of GST (2013: \$17,250).

(c) **Outstanding balances**

The Group had no outstanding debt at reporting date. (2013: \$nil).

(d) **Terms and conditions**

All related party transactions were made on normal commercial terms and conditions.

(e) **Key management personnel compensation**

Salaries and short term employee benefits	2,182	-	1,445	-
Termination payment	340	-	-	-
Total	<u>\$ 2,522</u>	<u>\$ -</u>	<u>\$ 1,445</u>	<u>\$ -</u>

28. Events occurring after reporting date

The Group had no events occurring after reporting date which require recognition or disclosure in the financial statements.

Counties Power Consumer Trust

Notes to (and forming part of) the Consolidated Financial Statements

For the year ended 31 March 2014

29. Financial Instruments by category

Assets as per statement of financial position

	Held at fair value through the profit and loss \$'000		Loans and receivables \$'000		Total \$'000	
	Group	Parent	Group	Parent	Group	Parent
At 31 March 2014						
Finance lease receivable	-	-	821	-	821	-
Trade and other receivables	-	-	4,915	8	4,915	8
Cash and cash equivalents	-	-	5,374	5,165	5,374	5,165
	\$ -	\$ -	\$11,110	\$5,173	\$11,110	\$5,173
At 31 March 2013						
Derivative financial instruments	-	-	-	-	-	-
Finance lease receivable	-	-	578	-	578	-
Trade and other receivables	-	-	4,848	39	4,848	39
Cash and cash equivalents	-	-	5,135	4,914	5,135	4,914
	\$ -	\$ -	\$10,561	\$4,948	\$10,561	\$4,953

Liabilities as per statement of financial position

	Held at fair value through the profit and loss \$'000		Financial liabilities at amortised cost \$'000		Total \$'000	
	Group	Parent	Group	Parent	Group	Parent
At 31 March 2014						
Derivative financial instruments	-	-	275	-	275	-
Borrowings	-	-	5,400	-	5,400	-
Finance lease liabilities	-	-	1,099	-	1,099	-
Trade and other payables	-	-	6,013	21	6,013	21
	\$ -	\$ -	\$12,787	\$ 21	\$12,787	\$ 21
At 31 March 2013						
Derivative financial instruments	-	-	-	-	-	-
Borrowings	-	-	800	-	800	-
Finance lease liabilities	-	-	776	-	776	-
Trade and other payables	-	-	6,273	33	6,273	33
	\$ -	\$ -	\$7,849	\$ 33	\$7,849	\$ 33

Counties Power Consumer Trust

Notes to (and forming part of) the Consolidated Financial Statements For the year ended 31 March 2014

	Notes	2014 \$'000		2013 \$'000	
		Group	Parent	Group	Parent
30. Discontinued operations of the Company					
Discontinued operations in 2014					
There were no discontinued operations in 2014.					
Discontinued operations in 2013					
On 28 February 2013, the Company ceased its electricity retailing activities.					
Revenue from discontinued operations		-	-	222	-
Profit before tax		-	-	(364)	-
Less Income tax expense		-	-	103	-
Total		-	-	(261)	-
Net assets		-	-	-	-
Total		-	-	-	-
Total cash inflows from operating activities		-	-	49	-
Total		\$ -	\$ -	\$ 49	\$ -

There were no cash flows from financing or investing activities relating to discontinued operations.

31. Other Registered Holdings of the Company

Subsidiaries	Interest held by Entity 2014		Interest held by Entity 2013	
Awhitu Land Holdings Limited	100%	-	100%	-
Counties Power Lines Limited	100%	-	100%	-
New Zealand Relay Limited	100%	-	100%	-
Investment				
SmartCo Limited	12.33%	-	12.33%	-

All companies have a balance date of 31 March and are incorporated in New Zealand. The companies are non-trading (2013: non-trading).

Counties Power Consumer Trust

Notes to (and forming part of) the Consolidated Financial Statements For the year ended 31 March 2014

	Notes	2014 \$'000		2013 \$'000	
		Group	Parent	Group	Parent
32. Derivative financial instruments					
Current Liabilities					
Forward foreign exchange contracts – cash flow hedges		275	-	-	-
Net derivative financial instruments		\$ 275	\$ -	\$ -	\$ -

The notional principal amounts of the outstanding forward foreign exchange contracts at 31 March 2014 were \$5,334,000 (2013: \$nil).

The hedged highly probable forecast transactions denominated in foreign currency are expected to occur at various dates during the next 12 months. Gains and losses recognised in the hedging reserve in equity (note 22) on forward foreign exchange contracts as at 31 March 2014 are included in the initial amount recognised for the purchase of plant and equipment, in which case recognition is over the lifetime of the asset.

33. Business Acquisition

On 11 October 2013 the Company acquired certain business assets, primarily plant and equipment, from Total Utility Services Limited for approximately \$435,000. The fair value of the assets acquired in the transaction were measured on the acquisition date. The fair value obtained was considered to be equal to the consideration paid. No goodwill arose, or discount was recognised on acquisition.

The contribution of this acquisition to the Group's revenue and result for the period to 31 March 2014 is immaterial.

Counties Power Consumer Trust

Statement of Service Performance

For the year ended 31 March 2014

The table below sets out the performance targets included in the Statement of Corporate Intent for the year ended 31 March 2014.

	2014		2013	
	TARGET	ACTUAL	TARGET	ACTUAL
Earnings before consumer discounts, interest and tax expressed as a percentage of total average capital employed	11.6%	11.4%	11.7%	11.8%
Net profit/(loss) before consumer discounts and after tax expressed as a percentage of average consolidated shareholders' funds	8.4%	8.4%	8.6%	8.6%
Average minutes without electricity per consumer: (SAIDI)				
• Unplanned outages	70	118.78	70	83.6
• Planned	20	33.2	27	42.9
Average faults per consumer (11kV and above) (SAIFI)	2.5	2.99	2.45	1.62

Unplanned outages, as measured by SAIDI, (average minutes without electricity per customer), exceeded the benchmark by 70%. This was directly caused by adverse weather and Transpower outages in September 2013. NIWA commented that the equinoxal winds were the worst since 1975. Two major Transpower faults contributed 16.7 minutes to unplanned SAIDI.

Planned SAIDI was 66% above the benchmark for the year. This was due entirely to the Company's programme to convert the existing 11kV network for Pukekohe and environs to 22kV and arose from the shutdowns necessary to undertake the work which could not be offset by the use of generators.

The SAIDI and SAIFI results were calculated using information from the Company's non-financial systems, which due to manual recording processes have inherent limitations relating to the completeness of interruption data and the accuracy of installation control point (ICP) numbers included in the SAIDI and SAIFI calculations.

INDEPENDENT AUDITOR'S REPORT

To the Trust Board of Counties Power Consumer Trust and Group

Report on the Financial Statements

We have audited the attached financial statements of Counties Power Consumer Trust ("the Trust") and Group on pages 9 to 40, which comprise the statement of financial position as at 31 March 2014, and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information for both the Trust and the Group.

This report is made solely to the trustees, as a body, in accordance with the Deed of Resettlement. Our audit has been undertaken so that we might state to the trustees those matters we are required to state to them in an auditor's 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 trustees, as a body, for our audit work, for this report, or for the opinions we have formed.

Trustees' Responsibility for Financial Statements

Section 99 of the Electricity Industry Act 2010 requires the Trustees to prepare financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate, and for such internal controls as the trustees determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. Section 39 (2)(e) of the Energy Companies Act 1992 requires the trustees to report performance targets and other measures by which the performance of the Trust and Group can be measured in relation to its objectives.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of financial statements that give a true and fair view of the matters to which they relate 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 entity's internal controls. An audit also includes evaluation the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the presentation of the financial statements.

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

Other than in our capacity as auditors, we have no relationship with or interest in the Trust or any of its subsidiaries.

Unmodified opinion on the financial statements

In our opinion, the financial statements on pages 9 to 40:

- comply with New Zealand generally accepted accounting practice;
- comply with International Financial Reporting Standards; and
- give a true and fair view of the financial position of the Trust and Group as at 31 March 2014 and their financial performance and cash flows for the year ended on that date.



RSM Prince
Chartered Accountants

Report on Other Legal and Regulatory Requirements

In accordance with the Financial Reporting Act 1993, we report that:

- we have obtained all the information and explanations that we have required; and
- in our opinion, proper accounting records have been kept by the Trust as far as appears from an examination of those records.

RSM Prince

RSM PRINCE

Chartered Accountants, Auckland

24 July 2014