

Counties Power Consumer Trust



Annual Report

For the year ended

31 March 2015

Counties Power Consumer Trust

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The Financial Statements of Counties Power Consumer Trust for the year ending 31 March 2015

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 Hayes Audit, AUCKLAND	

Counties Power Consumer Trust

Chairman's Report

For the year ended 31 March 2015

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

It is my privilege to present this report of the Counties Power Consumer Trust ("The Trust") for the year ended 31 March 2015.

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 13 Trustee meetings held and in addition to these, the Chairman, Secretary and one or more Trustees and/or Directors met/held other meetings and had discussions on numerous occasions to give attention to particular matters.

The Trust gratefully acknowledges that company chairman, Hamish Stevens, 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... ;

Between them, the Trustees hold 100% of shares in Counties Power Limited in trust. 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.

Counties Power Consumer Trust

Chairman's Report

For the year ended 31 March 2015

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;
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 collectively 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 \$10.9 million returned to consumers). These discounts reduced connected consumers' electricity bills in December 2014. The growth in the Franklin area has seen a further increase in the number of consumers to approximately 39,220 (2014: 38,478) with the result that each connection averaged approximately \$278. (2014: \$283). It is considered that discounts are the most cost effective means of providing returns to the beneficiaries of the day.

Beneficiaries might wish to take notice 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.

Counties Power Consumer Trust

Chairman's Report

For the year ended 31 March 2015

The financial performance of Counties Power Ltd and the Counties Power Consumer Trust for the year ended 31 March 2015 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 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.

Emerging technologies – solar, battery storage, electric vehicles, smart meters and smart grids – will revolutionise the electricity industry. The unknowns are how quickly these technologies will reach critical mass from a commercial perspective and how they will combine. These factors coupled with the unprecedented consumer growth flagged for the Counties Power supply area makes the Franklin area probably the most exciting and challenging in the country from an electricity distribution perspective.

The year under review has been one of consolidation within the Directorship with retirements and appointments in the early part of calendar 2014, and a new Chair. It has also been a year of significant change at senior management level with a new CEO starting in the first quarter and changes within the management team.

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 an 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 under budget, achieving a surplus of \$293,238 (2014: \$189,109) being \$37,456 higher than anticipated, in spite of return on investments being less than expected.

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

The Directors of Counties Power Limited at 31 March 2015 were Messrs Hamish Stevens (Chairman), Malcolm Don, Vern Dark, Doug Troon and Mesdames Liz Oliver and Barbara Elliston. (A seventh Director – David Tomkins – was appointed 1 April 2015).

Counties Power Consumer Trust

Chairman's Report

For the year ended 31 March 2015

Trustees of the Counties Power Consumer Trust

As at 31 March 2015, 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.

At the time of writing this report, the 2015 election has begun, with both Mr Singh and Mrs Rupp standing down (on a rotational basis), but both are seeking re-election. The Returning Officer has advised a total of six valid nominations have been received for the two vacancies. The Returning Officer will make the nominations public and voting will open on 17 July for all beneficiaries to cast their vote (using either a postal system or an 'on-line' system). The successful candidates will be declared by public notice on 11 August. The successful candidates will take up their duties from the close of the Annual Meeting.

Beneficiary Requests for Information

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

Amendments to the Trust Deed

There has been one alteration to the Trust Deed in the year ended 31 March 2015 – this alteration was to facilitate the added option of 'on-line' voting.

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 Hamish Stevens for his huge contribution to the Company, first as a Director and then as Chairman.

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
26 June 2015.

Counties Power Consumer Trust
Chairman's Report
For the year ended 31 March 2015

TRUSTEES' STATEMENT

For the Year ended 31 March 2015

Scheduled Trustee Meetings and Attendance

	SCHEDULED	ATTENDANCE
Alan Eyes (Chairman)	15	14
Phil Beston	15	14
Christine Rupp	15	15
Ganges Singh	15	15
Don Thomson	15	12

In addition there were 4 Quarterly Shareholder meetings.

Remuneration

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

	31 March 2015 \$	31 March 2014 \$
A D Eyes (Chairman)	29,699	28,410
P S Beston	17,407	15,930
C P Rupp	17,657	16,730
G Singh	17,257	16,230
D W Thomson	16,757	16,230

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 that 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 2015

	Notes	2015 \$'000		2014 \$'000	
		Group	Parent	Group	Parent
Gross Revenue from continuing operations		61,843	-	54,186	-
Less Consumer Discounts	6	(9,538)	-	(9,513)	-
	6	52,305	-	44,673	-
Other income and gains	7	352	537	412	499
Expenses, excluding finance costs	8	(38,961)	(244)	(33,411)	(310)
Finance costs - net	8	(178)	-	(64)	-
Operating Surplus before income tax	9b	13,518	293	11,610	189
Income tax credit/(expense)	9a	(3,675)	-	(3,103)	-
Profit from Discontinued Operations after Tax		-	-	-	-
Profit for the year after income tax		9,843	293	8,507	189
Other Comprehensive Income					
Cash flow hedges – net of tax		257		(198)	
Fair value gain/(loss) on the revaluation of property, plant and equipment		856	-	540	-
Deferred tax recognised in equity on the net gain/(loss) on the revaluation of property, plant and equipment		(240)	-	(79)	-
Total other comprehensive income		873	-	263	-
Total comprehensive income		\$ 10,716	\$ 293	\$ 8,770	\$ 189

Consolidated Statement of Changes in Equity
For the year ended 31 March 2015


	Notes	2015 \$'000		2014 \$'000	
		Group	Parent	Group	Parent
Equity at beginning of the financial year		192,983	36,195	184,213	36,006
Profit for the year		9,843	293	8,507	189
Cash flow hedges – net of tax		257	-	(198)	-
Deferred tax on revaluations	15, 22	(240)	-	(79)	-
Movement in asset revaluation reserve	14, 22	856	-	540	-
Total recognised revenue and expenses for the year		10,716	293	8,770	189
Total equity at the end of the financial year		\$ 203,699	\$ 36,488	\$ 192,983	\$ 36,195

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 2015

	Notes	2015 \$'000		2014 \$'000	
		Group	Parent	Group	Parent
ASSETS					
Current assets					
Cash and cash equivalents	10	5,808	5,607	5,586	5,377
Receivables	11	6,297	75	5,387	10
Inventories	12	150	-	314	-
Construction contracts in progress	13	206	-	62	-
Current tax receivables		206	-	-	-
Finance lease receivable	17	41	-	37	-
Derivative Financial Instruments	31	80	-	-	-
Total current assets		<u>12,788</u>	<u>5,682</u>	<u>11,386</u>	<u>5,387</u>
Non-current assets					
Property, plant and equipment	14	257,217	11	228,425	12
Prepayments		18	18	20	20
Intangible assets	16	541	-	571	-
Investment in Subsidiary	2(t)	-	30,797	-	30,797
Finance lease receivable	17	821	-	784	-
Total non-current assets		<u>258,597</u>	<u>30,826</u>	<u>229,800</u>	<u>30,829</u>
Total assets		<u>271,385</u>	<u>36,508</u>	<u>241,186</u>	<u>36,216</u>
LIABILITIES					
Current liabilities					
Payables	18	9,323	20	7,012	21
Current Tax Payable		-	-	136	-
Employee benefits	19	1,081	-	1,133	-
Derivative financial instruments	31	-	-	275	-
Total current liabilities		<u>10,404</u>	<u>20</u>	<u>8,556</u>	<u>21</u>
Non-current liabilities					
Deferred tax liabilities	15	36,432	-	34,247	-
Borrowings	20	20,850	-	5,400	-
Total non-current liabilities		<u>57,282</u>	<u>-</u>	<u>39,647</u>	<u>-</u>
Total liabilities		<u>67,686</u>	<u>20</u>	<u>48,203</u>	<u>21</u>
Net assets		<u>\$ 203,699</u>	<u>\$ 36,488</u>	<u>\$ 192,983</u>	<u>\$ 36,195</u>
EQUITY					
Share capital	21	30,797	30,797	30,797	30,797
Retained earnings	22	138,030	5,691	128,187	5,398
Cash flow hedge reserve	22	59	-	(198)	-
Revaluation reserve	22	34,813	-	34,197	-
Total equity		<u>\$ 203,699</u>	<u>\$ 36,488</u>	<u>\$ 192,983</u>	<u>\$ 36,195</u>

For and on behalf of the Trustees:



 Chair of Trustees



 Secretary

31/07/15

 Date

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 2015

	Notes	2015 \$'000		2014 \$'000	
		Group	Parent	Group	Parent
Cash flows from operating activities					
Receipts from customers (inclusive of goods and services tax)		61,259	-	53,938	-
Payments to suppliers and employees		(35,570)	(248)	(32,416)	(321)
Net GST paid		(319)	-	(1,550)	-
Sundry income		7	7	7	7
Dividend received		-	300	-	300
Interest received		180	170	347	223
Interest paid		(178)	-	(64)	-
RWT & income taxes paid		(2,172)	-	(1,906)	-
RWT & income tax refund		-	-	3	3
Net cash inflow from operating activities	24	<u>23,207</u>	<u>229</u>	<u>18,359</u>	<u>212</u>
Cash flows from investing activities					
Payments for property, plant and equipment		(38,137)	-	(22,386)	-
Payments for intangible assets - computer software	16	(306)	-	(443)	-
Proceeds from sale of property, plant & equipment		<u>7</u>	<u>-</u>	<u>70</u>	<u>-</u>
Net cash (outflow) from investing activities		<u>(38,436)</u>	<u>-</u>	<u>(22,759)</u>	<u>-</u>
Cash flows from financing activities					
Proceeds from borrowings		20,850	-	5,400	-
Repayment of borrowings		(5,400)	-	(800)	-
Net cash (outflows)/inflow from financing activities		<u>15,450</u>	<u>-</u>	<u>(4,600)</u>	<u>-</u>
Net (decrease)/increase in cash and cash equivalents		221	229	200	212
Cash and cash equivalents at the beginning of the year		<u>5,586</u>	<u>5,378</u>	<u>5,386</u>	<u>5,165</u>
Cash and cash equivalents at end of the year	10	<u>\$ 5,807</u>	<u>\$ 5,607</u>	<u>\$ 5,586</u>	<u>\$ 5,377</u>

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

Counties Power Consumer Trust

Notes to the Financial Statements

For the year ended 31 March 2015

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 14 Glasgow Road, Pukekohe.

These financial statements are for the year ended 31 March 2015. 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 29 July 2015.

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 for Public Benefit Entities (NZ IFRS PBE).

Statutory base

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

For the year ended 31 March 2015

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 the Financial Statements
For the year ended 31 March 2015

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 a straightline 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 the Financial Statements

For the year ended 31 March 2015

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 the Financial Statements

For the year ended 31 March 2015

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	10 to 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 the Financial Statements
For the year ended 31 March 2015

2. Summary of significant accounting policies (continued)

(k) Intangible assets

- (i) *Research and development*
Research and development expenditure on research activities (if any) 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 the Financial Statements
For the year ended 31 March 2015

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 the Financial Statements

For the year ended 31 March 2015

2. Summary of significant accounting policies (continued)

(q) Employee benefits (continued)

(i) 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.

(ii) Termination Benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of NZ IAS 37 and involves the payment of termination benefits.

(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.

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

(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.

Counties Power Consumer Trust
Notes to the Financial Statements
For the year ended 31 March 2015

2. Summary of significant accounting policies (continued)

(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.

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 31. 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'.

Counties Power Consumer Trust

Notes to the Financial Statements

For the year ended 31 March 2015

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.

Company 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.

(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.

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, between 30% and 40% of this debt will be hedged by an interest rate swap with the remainder placed in at least two facilities with maturity periods aligned to optimise risk and value.

Sensitivity analysis

Interest rate swap contracts hedging the forecasted variability in cash flows arising out of variable interest rates on borrowings are treated as cash flow hedges. Any changes in variable interest rates would have no material impact on net profit/(loss) in relation to the portion of borrowings hedged, as changes in the fair value of these interest rate swap contracts are taken through other comprehensive income where the hedge is an effective hedge.

Counties Power Consumer Trust

Notes to the Financial Statements

For the year ended 31 March 2015

4. Financial risk management (continued)

Financial risk factors (continued)

a) Market risk (continued)

Sensitivity analysis (continued)

A 100 basis points increase or decrease in interest rates is used for the interest rate sensitivity analysis. The impact of this movement on interest expense for 2015 would be \$208,500. (2014: \$54,000).

(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 25% of the Group's total trade and other receivables as at 31 March 2015 (2014: 30%). 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 Company as they arise in an orderly manner. Management monitors rolling forecasts of the Company's liquidity requirements on the basis of expected cash flow. The Board of Directors approves all new borrowing facilities for the Company. The Trustees manage the liquidity risk of the Parent.

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.

Counties Power Consumer Trust
Notes to the Financial Statements
For the year ended 31 March 2015

3. Financial risk management (continued)

(c) Liquidity risk (continued)

Group At 31 March 2015	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	9,303	-	-	-
Bank loans	-	6,600	14,250	-
Derivatives Financial Instruments (Fair values)	(80)	-	-	-
At 31 March 2014				
Trade and other payables	6,991	-	-	-
Bank and loans	-	-	5,400	-
Derivatives Financial Instruments (Fair values)	275	-	-	-

(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.

Distribution system assets and land & buildings are classified within level 3 of the fair value hierarchy. The valuation techniques and assumptions for distribution system assets and land & buildings measured at fair value are disclosed in note 14.

Counties Power Consumer Trust

Notes to the Financial Statements

For the year ended 31 March 2015

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 2015 and 2014.

The Company monitors its compliance with banking covenants as required by its bankers, Westpac Banking Corporation and ASB Bank Limited. 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 less cash and cash equivalents.

The gearing ratios are as follows:

	Notes	Company 2015 \$'000	2014 \$'000
Borrowings	20	20,850	5,400
Less: Cash and bank	10	(201)	(209)
Net debt		20,649	5,191
Equity		198,008	187,585
Equity plus net debt		\$ 218,657	\$ 192,776
Gearing ratio		9%	3%

The Trust has no borrowings and is therefore not included in the gearing ratio calculation.

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).

Counties Power Consumer Trust
Notes to the Financial Statements
For the year ended 31 March 2015

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

Critical accounting judgements and key sources of estimation uncertainty (continued)

- (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.

5. New Standards

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

- NZ IFRS 9 '*Financial instruments*', effective for the Group from 31 March 2018. This standard replaces parts of IAS 39 *Financial Instruments: Recognition and Measurement* that relates to the classification and measurement of financial instruments. All financial assets are required to be classified into two measurement categories: at fair value and at amortised cost. The determination is based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.
- For financial liabilities, the standard retains most of the NZ IAS 39 requirements. An additional presentational requirement has been added for liabilities designated at fair value through profit and loss. Where the fair value option is taken, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income. The Group is yet to assess IFRS 9's full impact.
- NZ IFRS 15 *Revenue from contracts with customers*, effective for the Group from 31 March 2017. IFRS 15 addresses recognition of revenue from contracts with customers. It replaces the current revenue recognition guidance in NZ IAS 18 *Revenue* and NZ IAS 11 *Construction contracts* and sets out a 5 step model for revenue recognition to represent 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 the impact of NZ IFRS 15.

Counties Power Consumer Trust
Notes to the Financial Statements
For the year ended 31 March 2015

	Notes	2015 \$'000		2014 \$'000	
		Group	Parent	Group	Parent
6. Revenue					
From continuing operations					
Electricity line revenue		52,428	-	48,372	-
Less Consumer discounts		(9,538)	-	(9,513)	-
		42,890		38,859	-
Other sales and service revenue		1,906	-	2,055	-
Construction contract revenue		3,272	-	1,871	-
Capital Contributions		4,237	-	1,888	-
Total from continuing operations		\$ 52,305	\$ -	\$ 44,673	\$ -
7. Other income					
Electricity Price Derivative (Net Fair value gain)		-	-	-	-
Gain on disposal of fixed assets		3	-	25	-
Sundry income		109	7	71	7
Dividend income		-	300	-	300
Interest income		240	230	316	192
		\$ 352	\$ 537	\$ 412	\$ 499
8. Expenses					
Expenses, excluding finance costs, included in the statement of comprehensive income classified by nature					
Employee benefits expense		12,122	-	11,403	-
Depreciation and amortisation expense		10,050	-	8,769	-
Transmission costs		12,029	-	10,087	-
Less: Rental Rebates		(467)	-	(577)	-
Other expenses		5,227	244	3,729	310
		\$ 38,961	\$ 244	\$ 33,411	\$ 310
Finance costs		178	-	64	-
Included in expenses above					
Depreciation					
Plant & vehicles	14	1,376	-	1,295	-
Buildings	14	180	-	179	-
Distribution system	14	7,328	-	6,820	-
Meters & relays	14	682	-	36	-
Fibre network	14	148	-	167	-
Total depreciation		\$ 9,714	\$ -	\$ 8,497	\$ -
Amortisation					
Computer software	16	336	-	272	-
Total amortisation		\$ 336	\$ -	\$ 272	\$ -

Counties Power Consumer Trust
Notes to the Financial Statements
For the year ended 31 March 2015

	Notes	2015		2014	
		Group	Parent	Group	Parent
		\$'000		\$'000	
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 weighted average tax rate applicable to profits of the Group as follows:					
Current tax		1,829	-	2,135	-
Deferred tax		1,846	-	968	-
		\$ 3,675	\$ -	\$ 3,103	\$ -
(b) Numerical reconciliation of income tax expense to prima facie tax payable					
Profit before tax		13,518	293	11,610	189
Add imputation credits attached to dividend		117	117	117	117
Income not subject to tax		-	-	-	-
Expenses not deductible for tax purposes		(353)	-	(46)	-
Taxable profit		\$ 13,282	\$ 410	\$ 11,681	\$ 306
Income tax expense attributable to taxable profits		3,823	135	3,370	101
Tax effect of tax loss carried forward		(135)	(135)	(101)	(101)
Prior year adjustments		(13)	-	(166)	-
Non-deductible depreciation on buildings		-	-	-	-
Change in corporate Tax Rate		-	-	-	-
Income tax expense		\$ 3,675	\$ -	\$ 3,103	\$ -
(c) Imputation credit account					
Balance as at 1 April		16,673	-	14,884	-
Income tax payments/RWT payments		2,171	-	1,906	-
Imputation credit attached to dividend		-	117	-	117
Imputation credits converted to loss carried forward		(117)	(117)	(117)	(117)
Refund received		-	-	-	-
Prior year adjustment		-	-	-	-
Other		-	-	-	-
Closing balance		\$ 18,727	\$ -	\$ 16,673	\$ -
(d) Tax losses available					
Balance as at 1 April		1,030	1,030	974	974
Tax losses applied to Trustee income		(342)	(342)	(298)	(298)
Imputation credits converted to loss carried forward		354	354	354	354
Closing balance		\$ 1,042	\$ 1,042	\$ 1,030	\$ 1,030

Counties Power Consumer Trust
Notes to the Financial Statements
For the year ended 31 March 2015

	Notes	2015 \$'000	2014 \$'000
		Group	Parent
10. Cash and cash equivalents			
Bank balances		5,808	5,378
Closing Balance		\$ 5,808	\$ 5,378

(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		1,488	-	854	-
Accrued revenue		4,558	-	4,303	-
Other receivables		68	68	8	8
Provision for doubtful receivables		(295)	-	(250)	-
Net trade receivables	29	5,819	68	4,915	8
Taxation Refund due		-	-	-	-
Sundry prepayments		477	6	472	2
Total Receivables		\$ 6,296	\$ 74	\$ 5,387	\$ 10

Provision for doubtful receivables

Opening balance		250	-	276	-
Plus additional provision recorded during the year		45	-	(26)	-
Closing balance		\$ 295	\$ -	\$ 250	\$ -

(a) Bad and doubtful trade receivables

The Group has recognised an expense of \$114,902 in respect of bad and doubtful trade receivables during the year ended 31 March 2015. (2014: \$68,092). 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 2015, trade receivables of \$329,370. (2014: \$105,283) 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	157	-	77	-
2 months overdue	172	-	28	-
3 months overdue	20	-	16	-
Over 3 months	409	-	275	-
	\$ 758	\$ -	\$ 396	\$ -

Of the amounts 3 months or more overdue, \$295,000 has been provided for. (2014: \$250,000).

Counties Power Consumer Trust
Notes to the Financial Statements
For the year ended 31 March 2015

	Notes	2015 \$'000	2014 \$'000
		Group	Parent
12. Inventories			
Raw materials and consumables			
- at net realisable value		150	314
		\$ 150	\$ 314

13. Construction contracts in progress

Construction contract costs incurred and recognised	192	-	56	-
Recognised surplus on contracts	14	-	6	-
Total construction contracts in progress	\$ 206	\$ -	\$ 62	\$ -

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
Year ended 31 March 2014								
Opening net book value	9,123	6,554	3,538	458	193,613	757	214,043	11
Additions	48	124	2,310	4,253	14,326	(64)	20,997	-
WIP	-	-	27	-	1,413	-	1,440	-
Revaluation surplus (deficit) (note 22)	257	283	-	-	-	-	540	-
Disposals	-	-	(99)	-	-	-	(99)	-
Depreciation charge	-	(179)	(1,295)	(36)	(6,820)	(167)	(8,497)	-
Closing net book value	9,428	6,782	4,481	4,675	202,532	526	228,424	11
At 31 March 2014								
Cost or valuation	9,428	7,280	15,525	17,205	215,872	1,093	266,403	17
Accumulated depreciation	-	(498)	(11,044)	(12,530)	(13,340)	(567)	(37,979)	(6)
Net book value	9,428	6,782	4,481	4,675	202,532	526	228,424	11
Year ended 31 March 2015								
Opening net book value	9,428	6,782	4,481	4,675	202,532	526	228,424	11
Additions	-	586	917	9,195	28,831	13	39,542	-
WIP	-	-	-	-	(1,281)	-	(1,281)	-
Revaluation surplus (note 22)	856	-	-	-	-	-	856	-
Disposals	-	-	(270)	(340)	-	-	(610)	-
Depreciation charge	-	(180)	(1,376)	(682)	(7,328)	(148)	(9,714)	-
Net Book Value	10,284	7,188	3,752	12,848	222,754	391	257,217	11
At 31 March 2015								
Cost or valuation	10,284	7,824	15,767	15,789	222,754	1,106	273,524	17
Accumulated depreciation	-	(636)	(12,015)	(2,941)	-	(715)	(16,307)	(6)
Net book value	10,284	7,188	3,752	12,848	222,754	391	257,217	11

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

Counties Power Consumer Trust
Notes to the Financial Statements
For the year ended 31 March 2015

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 subject to an independent valuation at 31 March 2015. As the fair value of the assets was 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 \$'m
Domestic load growth	0.8%	0.3%	1.3%	+/- 4.6
Capital expenditure	\$111.3m *	90.0%	110%	+/- 1.3
WACC	6.5%	6.0%	7.0%	+/- 9.0
CPI inflation	2.0%	1.5%	2.5%	+/- 8.0

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

The valuation range determined by Deloitte was \$211m to \$228m. The Board has determined it is appropriate to adopt a valuation of \$223m as a fair value at 31 March 2015.

Land and Buildings

The network land and buildings were revalued upwards by \$0.85 million as at 31 March 2015. 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	2015 \$'000		2014 \$'000	
	Group	Parent	Group	Parent
Distribution Network – deemed cost	244,825	-	217,276	-
Less Accumulated Depreciation	(42,488)	-	(36,534)	-
Net book value	\$ 202,337	\$ -	\$ 180,742	\$ -
Land and buildings – deemed cost	7,113	-	6,479	-
Less Accumulated Depreciation	(1,033)	-	(853)	-
Net book value	\$ 6,080	\$ -	\$ 5,626	\$ -

Counties Power Consumer Trust
Notes to the Financial Statements
For the year ended 31 March 2015

	Notes	2015 \$'000	2014 \$'000	
		Group	Parent	Group
				Parent
15. Deferred tax liabilities				
Movements				
Opening deferred tax asset liability		34,247	-	33,276
Charge to the statement of comprehensive income		1,846	-	968
Cash flow hedges		99	-	(76)
Deferred tax recognised on revalued assets		240	-	79
Closing balance at 31 March		\$ 36,432	\$ -	\$ 34,247
Deferred tax Assets:				
Deferred income tax asset to be recovered after more than 12 months		269	-	237
Deferred income tax asset to be recovered within 12 months		116	-	101
Closing balance at 31 March		\$ 385	\$ -	\$ 338
Deferred tax liabilities:				
Deferred tax income tax liability to be recovered after more than 12 months		36,817	-	34,585
Closing balance at 31 March		\$ 36,817	\$ -	\$ 34,585
Deferred income tax liabilities (net)		\$ 36,432	\$ -	\$ 34,247

	Revaluation of property, plant and equipment \$'000	Accelerated depreciation \$'000	Group Other \$'000	Group Total \$'000	Parent \$'000
Deferred tax liabilities					
At 1 April 2013	27,746	5,901	(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	-
Charged/(credited) to the statement of comprehensive income	-	1,850	(4)	1,846	-
Cash flow hedges	-	-	99	99	-
Charged directly to equity	240	-	-	240	-
At 31 March 2015	\$ 28,065	\$ 8,733	\$ (366)	\$36,432	\$ -

Counties Power Consumer Trust
Notes to the Financial Statements
For the year ended 31 March 2015

	Notes	2015 \$'000		2014 \$'000	
		Group	Parent	Group	Parent
16. Intangible assets					
Computer software					
Opening balance					
Cost		4,143	-	3,837	-
Accumulated amortisation		(3,602)	-	(3,266)	-
Net book value		\$ 541	\$ -	\$ 571	\$ -
Opening net book value		571	-	400	-
Additions		306	-	443	-
Disposals		-	-	-	-
Amortisation charge		(336)	-	(272)	-
Closing net book value		\$ 541	\$ -	\$ 571	\$ -
17. Finance leases					
Current receivables					
Finance leases – gross receivables		72	-	67	-
Unearned finance income		(31)	-	(30)	-
		41	-	37	-
Non-current receivables					
Finance leases – gross receivables		1,083	-	1,033	-
Unearned finance income		(262)	-	(249)	-
		821	-	784	-
Gross receivables from finance leases					
- No later than 1 year		72	-	67	-
- Later than 1 year and no later than 5 years		289	-	266	-
- Later than 5 years		794	-	767	-
		1,155	-	1,100	-
Unearned future finance income on finance leases		(293)	-	(279)	-
Net investment in finance leases		\$ 862	\$ -	\$ 821	\$ -
The net investment in finance leases may be analysed as follows:					
- No later than 1 year		41	-	37	-
- Later than 1 year and no later than 5 years		255	-	266	-
- Later than 5 years		566	-	518	-
		\$ 862	\$ -	\$ 821	\$ -

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

Counties Power Consumer Trust
Notes to the Financial Statements
For the year ended 31 March 2015

	Notes	2015 \$'000	2014 \$'000
		Group	Parent
18. Trade and other Payables			
Trade payables		2,626	20
Sundry accruals		3,556	-
Capital contribution liability		1,997	-
		<u>8,179</u>	<u>20</u>
Financial Lease – deferred income		1,144	-
Total payables		\$ 9,323	\$ 20

19. Employee benefits

Employee benefits	41	-	40	-
Employee Incentive	-	-	100	-
Retirement benefit obligations	283	-	270	-
Holiday Pay	757	-	723	-
Total Provisions	\$ 1,081	\$ -	\$ 1,133	\$ -

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

20. Bank borrowings

Unsecured - interest bearing

Bank loan – current	-	-	-	-
Bank loan – non-current	20,850	-	5,400	-
Total borrowings	\$ 20,850	\$ -	\$ 5,400	\$ -

(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	45,000	-	15,000	-
Used at reporting date	20,850	-	5,400	-
Unused at reporting date – Bank loans	\$ 24,150	\$ -	\$ 9,600	\$ -

The revolving credit bank loan facilities may be drawn down at any time. The Westpac banking loan is for \$15 million and expires on 20 November 2016. The ASB banking loan facility limit is \$30.0 million and expires on 1 December 2017. There have been no breaches of debt covenants during the year (2014: nil) and the Company forecasts it will continue to comply with covenants.

The weighted average interest rate on borrowings was 5.01%. (2014: 4.18%). The Distribution System and Metering assets included capitalised borrowing costs of \$368,000 (2014: \$62,000).

(c) Fair value

The fair value of the Company's current borrowings equals their carrying amount, as all borrowings are at floating interest rates.

(d) Foreign currency risk exposure

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

Counties Power Consumer Trust
Notes to the Financial Statements
For the year ended 31 March 2015

	Notes	2015 \$'000		2014 \$'000	
		Group	Parent	Group	Parent
21. Trust Equity					
Shares and reserves at resettlement		30,797	30,797	30,797	30,797
Total Shares and reserves at resettlement		\$ 30,797	\$ 30,797	\$ 30,797	\$ 30,797

15,000,000 fully paid ordinary shares in Counties Power Limited vested in the Trust in terms of the Energy Company's (Counties Power Limited) Vesting Order 1993, represented by shares and reserves being Opening Shareholders' Funds in Counties Power Limited.

22. Reserves

Retained earnings					
Opening balance		128,187	5,398	119,680	5,209
Net Surplus for the year		9,843	293	8,507	189
Closing balance		138,030	5,691	128,187	5,398
Asset revaluation reserve					
Opening balance		34,197	-	33,736	-
Revaluations	14	856	-	540	-
Deferred tax		(240)	-	(79)	-
Closing balance		34,813	-	34,197	-
Cash flow hedge reserve					
Opening balance		(198)	-	-	-
Forward foreign exchange contracts		356	-	(275)	-
Deferred tax		(99)	-	77	-
Closing balance		59	-	(198)	-
Total retained earnings and reserves		\$ (172,902)	\$ 5,691	\$ (162,186)	\$ 5,398

Dividends paid by the Company to the Trust was 2 cents per share. (2014: 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		103	12	95	11
Auditing of Regulatory Services		32	-	54	-
Total Audit services		135	12	149	11
Other Services					
Other Advisory Services		-	-	24	-
Regulatory Advice		6	-	4	-
Total Remuneration of Other services		6	-	28	-
Total Remuneration of Auditors		\$ 141	\$ 12	\$ 177	\$ 11

Counties Power Consumer Trust
Notes to the Financial Statements
For the year ended 31 March 2015

	Notes	2015 \$'000	2014 \$'000
		Group	Parent
		Group	Parent
24. Reconciliation of surplus after income tax to net cash inflows from operating activities			
Reported surplus after tax		9,843	293
Depreciation and amortisation		10,050	-
Changes in Deferred Tax		1,846	-
Net loss/(gain) on sale of assets		479	-
		12,375	-
Movement in Working Capital			
<i>(Decrease)/Increase in Current Liabilities</i>			
Accounts Payable		2,328	(1)
Employee benefits		(52)	-
<i>Decrease/(Increase) in Current Assets</i>			
Accounts Receivable		(942)	(59)
Income tax Receivable		(345)	(1)
Prepayments		-	(3)
		989	(64)
Net cash inflow from operating activities		\$ 23,207	\$ 229
		\$ 18,359	\$ 212

25. Contingent liabilities

The Company had no contingent liabilities as at 31 March 2015. (2014: \$50,000).

26. Commitments

(a) Capital commitments

The Company had \$57,000 committed for capital expenditure at 31 March 2015. (2014: \$4,746,000).

(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.

Within 1 year	121	19	121	19
Later than 1 year and no later than 5 years	436	26	420	10
Later than 5 years	524	11	643	28
	\$ 1,081	\$ 56	\$ 1,184	\$ 57

27. Related party transactions

(a) Parent

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

Counties Power Consumer Trust
Notes to the Financial Statements
For the year ended 31 March 2015

Notes	2015	2014
	\$'000	\$'000
	Group	Parent
	Group	Parent

27. Related party transactions (Continued)

(b) Transactions with related parties

The following transactions occurred with related parties:

Directors' fees	\$ 273	\$ -	\$ 299	\$ -
Trustees' fees	\$ 99	\$ 99	\$ 93	\$ 93
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 \$19,454 inclusive of GST (2014: \$17,349).

(c) Outstanding balances

The Group had no outstanding debt at reporting date. (2014: \$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	2,486	-	2,182	-
Termination payment	95	-	340	-
Total	\$ 2,581	\$ -	\$ 2,522	\$ -

28. Events occurring after reporting date

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

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 2015						
Derivative financial instruments	80	-	-	-	80	-
Finance lease receivable	-	-	862	-	862	-
Trade and other receivables	-	-	5,819	68	5,819	68
Cash and cash equivalents	-	-	5,808	5,607	5,808	5,607
	\$ 80	\$ -	\$12,489	\$5,675	\$12,569	\$5,675
At 31 March 2014						
Finance lease receivable	-	-	821	-	821	-
Trade and other receivables	-	-	4,915	8	4,915	8
Cash and cash equivalents	-	-	5,587	5,378	5,587	5,378
	\$ -	\$ -	\$11,323	\$5,386	\$11,323	\$5,386

Counties Power Consumer Trust
Notes to the Financial Statements
For the year ended 31 March 2015

	Notes	2015 \$'000		2014 \$'000	
		Group	Parent	Group	Parent

29. Financial Instruments by category (Continued)

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 2015						
Borrowings	-	-	20,850	-	20,850	-
Finance lease liabilities	-	-	1,144	-	1,144	-
Trade and other payables	-	-	8,179	20	8,179	20
	\$ -	\$ -	\$30,173	\$ 20	\$30,173	\$ 20
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
	\$ 275	\$ -	\$12,512	\$ 21	\$12,787	\$ 21

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

30. Other Registered Holdings of the Company

	Interest held by Entity 2015		Interest held by Entity 2014	
Subsidiaries				
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 (2014: non-trading).

31. Derivative financial instruments

Current Liabilities

Cash flow hedges	80	-	(275)	-
Net derivative financial instruments	\$ 80	\$ -	\$ (275)	\$ -

The notional principal amounts of the outstanding forward foreign exchange contracts at 31 March 2015 were \$1,811,134 (2014: \$5,334,000).

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 2015 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.

The principal amount of the interest rate swaps was \$4,000,000 (2014:nil). This is for the three year period ending 19 March 2018, at a fixed rate of 3.73%.

Counties Power Consumer Trust

Statement of Service Performance

For the year ended 31 March 2015

The table below sets out the performance targets included in the Statement of Corporate Intent for the year ended 31 March 2015.

	2015		2014	
	TARGET	ACTUAL	TARGET	ACTUAL
Earnings before consumer discounts, interest and tax expressed as a percentage of total average capital employed	10.7 %	11.3 %	11.6%	11.4%
Net profit/(loss) before consumer discounts and after tax expressed as a percentage of average consolidated shareholders' funds	8.2 %	8.7 %	8.4%	8.4%
Average minutes without electricity per consumer: (SAIDI)				
• Unplanned outages	70	99.17	70	118.78
• Planned	35	20.91	20	33.20
Average faults per consumer (11kV and above) (SAIFI)	2.65	2.58	2.5	2.99

Unplanned outages, as measured by SAIDI, (average minutes without electricity per customer), exceeded the benchmark by 42%. Adverse weather events in June 2014 and December 2014 contributed 13 minutes to unplanned SAIDI, while a high number of car versus pole incidents contributed 34.2 minutes to the unplanned SAIDI during the year.

Planned SAIDI was 40% below the benchmark for the year due to the deferral of Tuakau, Church Corner and Port Waikato Feeders conversion to FY16.

SAIFI performance was favourable against the benchmark. While there was a high number of power interruptions this year, the number of customers affected by these interruptions was relatively low.

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 accuracy of installation control point (ICP) numbers included in the SAIDI and SAIFI calculations.



RSM Hayes Audit

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INDEPENDENT AUDITOR'S REPORT

TO THE BENEFICIARIES OF COUNTIES POWER CONSUMER TRUST

We have audited the accompanying group financial statements of Counties Power Consumer Trust and its subsidiary on pages 9 to 37, which comprise the group and parent statement of financial position as at 31 March 2015, and the group and parent statements of comprehensive income, statements of changes in equity and cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory information.

Trustees' Responsibility for the Consolidated Financial Statements

The Trustees are responsible for the preparation and fair presentation of the group financial statements in accordance with New Zealand Equivalents to International Financial Reporting Standards for Public Benefit Entities and for such internal control as the Trustees determine is necessary to enable the preparation of group financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these group 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 group financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the group financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the group financial statements 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 control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the group 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 auditor we have no relationship with, or interests in, Counties Power Consumer Trust or its subsidiary.



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Opinion

In our opinion, the group financial statements on pages 9 to 37 present fairly, in all material respects, the group and parent financial position of Counties Power Consumer Trust as at 31 March 2015 and their financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards for Public Benefit Entities.

RSM Hayes Audit

RSM Hayes Audit

31 July 2015

Auckland