

# **Counties Power Consumer Trust**



## **Annual Report**

**For the year ended**

**31 March 2017**

# **Counties Power Consumer Trust**

## **Index**

### **1<sup>st</sup> Section**

**The Consolidated Financial Statements for the year ending 31 March 2017**

<b>Page 3</b>	<b>Directory</b>
<b>Page 4</b>	<b>Chair Report</b>
<b>Page 8</b>	<b>Trustees' Statement</b>
<b>Page 9</b>	<b>Consolidated Statement of Comprehensive Income</b>
<b>Page 9</b>	<b>Consolidated Statement of Changes in Equity</b>
<b>Page 10</b>	<b>Consolidated Statement of Financial Position</b>
<b>Page 11</b>	<b>Consolidated Cash Flow Statement</b>
<b>Page 12</b>	<b>Notes to (and forming part of) the Consolidated Financial Statements</b>
<b>Page 40</b>	<b>Statement of Service Performance</b>
<b>Page 41</b>	<b>Auditor's Statement</b>

### **2<sup>nd</sup> Section**

**Statement of Corporate Intent for the year ending 31 March 2018 and the Following Two Years**

### **3<sup>rd</sup> Section**

**The Financial Statements of Counties Power Consumer Trust for the year ending 31 March 2017**

# Counties Power Consumer Trust

## Directory

### **Nature of Business**

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.

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.

### **Trustees**

Mrs C P Rupp - Chair

JP, Post Grad Dip Sc

Mr A D Eyes

M Com, Dip Mgt, CA, CMA

Mr G Singh – deceased August 2016

Mr P S Beston

Mr D W Thomson

### **Secretary**

Gail Riddell

### **Contact Address**

Physical: Suite 6, 23 Hall Street, PUKEKOHE

Postal: P O Box 580, PUKEKOHE 2340

Telephone: 09 238 3780

### **Solicitors**

Simpson Grierson, AUCKLAND

### **Bankers**

ANZ, PAPA KURA

RSM Hayes Audit, AUCKLAND

### **Auditors**



## **Counties Power Consumer Trust**

### **Chair Report**

**For the year ended 31 March 2017**

## **Counties Power Consumer Trust**

### **Chair Report**

**For the year ended 31 March 2017**

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

It is my privilege to present this report on behalf of the Trustees of the Counties Power Consumer Trust for the year ended 31 March 2017.

#### **Trustees**

The four 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 21 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, Vern Dark, 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.

#### **Trustees' Functions**

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

## **Counties Power Consumer Trust**

### **Chair Report (continued)**

#### **For the year ended 31 March 2017**

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 \$11.3 million (including GST) in the calendar year just passed. (The previous year saw \$11 million returned to consumers). These discounts reduced connected consumers' electricity bills in December 2016. The growth in the Franklin area has seen a further increase in the number of consumers to approximately 41,320 (2016: 40,252) with the result that each connection averaged approximately \$274. (2016: \$274).

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.

The financial performance of Counties Power Ltd and the Counties Power Consumer Trust for the year ended 31 March 2017 is set out in the accompanying consolidated financial statements.



## **Counties Power Consumer Trust**

### **Chair Report (continued)**

**For the year ended 31 March 2017**

#### **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 in the middle of the year, and a new Chair. It has also been a year of significant change at senior management level and 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).

#### **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](http://www.countiespowertrust.org.nz)

The Trust operated its affairs with income being slightly higher than budgeted and costs being well under budget, achieving a surplus of \$172,020 (2016: \$147,909) being \$53,403 higher than anticipated.

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 2017 were Messrs Vern Dark, Doug Troon (Deputy Chair), Hamish Stevens, Malcolm Don, David Tompkins and Mesdame Barbara Elliston.

#### **Trustees of the Counties Power Consumer Trust**

As at 31 March 2017, the Trustees of Counties Power Consumer Trust were Mrs Christine Rupp (Chair) and Messrs Alan Eyes, Phil Beston, and Don Thomson. Sadly, after a lingering illness, Ganges Singh passed away in August 2016. With the elections due in less than a year, the Trustees decided to not replace him at the time. Under the terms of the Trust 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.

The most recent election was held in August 2015 election with both Mr Singh and Mrs Rupp standing down (on a rotational basis), but both sought re-election. This was the first time the Trustees used a combination of both postal voting and online voting.

Out of six candidates, Mrs Rupp polled the highest at 3,271 followed by Mr Singh at 2,545 – both being

## **Counties Power Consumer Trust**

### **Chair Report (continued)**

#### **For the year ended 31 March 2017**

declared the two successful candidates on 11 August 2015 by the Returning Officer. Elections are again due in August of 2017.

#### **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 2017.

#### **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 Vern Dark for his contribution to the Company, 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. We wish her well for her future and welcome her replacement, Norman Foote.

A handwritten signature in blue ink, appearing to read 'Christine Rupp', with a large, flowing initial 'C'.

Christine Rupp  
Chair  
July 2017



## Counties Power Consumer Trust

For the year ended 31 March 2017

### TRUSTEES' STATEMENT

For the Year ended 31 March 2017

#### Scheduled Trustee Meetings and Attendance

	SCHEDULED	ATTENDANCE
Alan Eyes	21	19
Phil Beston	21	21
Christine Rupp	21	21
Ganges Singh	21	5
Don Thomson	21	21

This includes Quarterly Shareholder meetings during the year.

#### Remuneration

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

	31 March 2017 \$	31 March 2016 \$
A D Eyes	17,454	23,338
P S Beston	19,054	18,714
C P Rupp (Chair)	34,308	27,939
G Singh	6,825	19,114
D W Thomson	19,454	18,514

#### 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 2017**

	Notes	2017 \$'000		2016 \$'000	
		Group	Parent	Group	Parent
<b>Gross Revenue from continuing operations</b>	6	67,301	-	63,181	-
Less Consumer Discounts	6	(9,835)	-	(9,605)	-
		<u>57,466</u>	<u>-</u>	<u>53,576</u>	<u>-</u>
Other income and gains	7	273	444	559	506
Expenses, excluding finance costs	8	(39,404)	(272)	(36,450)	(358)
Finance costs - net	8	(341)	-	(564)	-
		<u>17,994</u>	<u>172</u>	<u>17,121</u>	<u>148</u>
<b>Operating Surplus before income tax</b>	9b	17,994	172	17,121	148
Income tax credit/(expense)	9a	(5,002)	-	(4,711)	-
		<u>12,992</u>	<u>172</u>	<u>12,410</u>	<u>148</u>
<b>Profit for the year after income tax</b>		12,992	172	12,410	148
<b>Other Comprehensive Income</b>					
Cash flow hedges – net of tax		38	-	(165)	-
Fair value gain/(loss) on the revaluation of property, plant and equipment		3,292	-	(48)	-
Deferred tax recognised in equity on the net gain/(loss) on the revaluation of property, plant and equipment		22	-	-	-
		<u>3,352</u>	<u>-</u>	<u>(213)</u>	<u>-</u>
<b>Total other comprehensive income</b>		3,352	-	(213)	-
<b>Total comprehensive income</b>		<u>\$ 16,344</u>	<u>\$ 172</u>	<u>\$ 12,197</u>	<u>\$ 148</u>

**Consolidated Statement of Changes in Equity**  
**For the year ended 31 March 2017**

	Notes	2017 \$'000		2016 \$'000	
		Group	Parent	Group	Parent
Equity at beginning of the financial year		\$213,940	34,680	\$203,699	36,488
Profit for the year		12,992	172	12,410	148
Cash flow hedges – net of tax		38	-	(165)	-
Deferred tax on revaluations	15,22	22	-	-	-
Distribution to Trust Beneficiaries		(1)	(1)	(1,956)	(1,956)
Movement in asset revaluation reserve	14,22	3,292	-	(48)	-
Total recognised value revenue and expenses for the year		<u>16,343</u>	<u>171</u>	<u>10,241</u>	<u>(1,808)</u>
<b>Total equity at the end of the financial year</b>		<u>\$230,283</u>	<u>34,851</u>	<u>\$213,940</u>	<u>\$34,680</u>

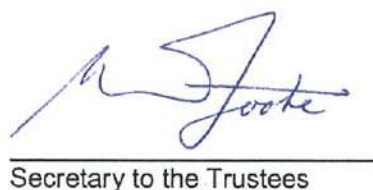
*The above statements of comprehensive income and statement of changes in equity should be read in conjunction with the accompanying notes.*

**Counties Power Consumer Trust**  
**Consolidated Statement of Financial Position**  
**As at 31 March 2017**

	Notes	2017 \$'000		2016 \$'000	
		Group	Parent	Group	Parent
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and cash equivalents	10	853	359	1,446	450
Short Term Investments		3,654	3,654	3,354	3,354
Receivables	11	5,590	42	5,447	68
Inventories	12	33	-	67	-
Construction contracts in progress	13	-	-	23	-
Current tax receivables		67	-	-	-
Total current assets		10,197	4,055	10,337	3,872
<b>Non-current assets</b>					
Property, plant and equipment	14	281,917	15	266,174	16
Prepayments		15	15	17	17
Intangible assets	16	610	-	599	-
Investment in Subsidiary		-	30,797	-	30,797
Derivative financial instruments	31	-	-	-	-
Total non-current assets		282,542	30,827	266,790	30,830
<b>Total assets</b>		<b>292,739</b>	<b>34,882</b>	<b>277,127</b>	<b>34,702</b>
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Borrowings	20	7,800	-	1,000	-
Payables	18	12,100	31	7,389	22
Current Tax Payable		-	-	460	-
Employee benefits	19	1,132	-	1,576	-
Derivative financial instruments	31	64	-	116	-
Total current liabilities		21,096	31	10,541	22
<b>Non-current liabilities</b>					
Trade and Other Payables	18	194	-	251	-
Deferred tax liabilities	15	41,166	-	38,395	-
Borrowings	20	-	-	14,000	-
Total non-current liabilities		41,360	-	52,646	-
<b>Total liabilities</b>		<b>62,456</b>	<b>31</b>	<b>63,187</b>	<b>22</b>
<b>Net assets</b>		<b>\$ 230,283</b>	<b>\$ 34,851</b>	<b>\$ 213,940</b>	<b>\$ 34,680</b>
<b>EQUITY</b>					
Trust Funds	21	30,797	30,797	30,797	30,797
Retained earnings	22	161,475	4,054	148,484	3,883
Cash flow hedge reserve	22	(68)	-	(106)	-
Revaluation reserve	22	38,079	-	34,765	-
<b>Total equity</b>		<b>\$ 230,283</b>	<b>\$ 34,851</b>	<b>\$ 213,940</b>	<b>\$ 34,680</b>

For and on behalf of the Trustees:

  
Chair of Trustees

  
Secretary to the Trustees

31 July 2017  
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 2017**

	Notes	2017 \$'000		2016 \$'000	
		Group	Parent	Group	Parent
<b>Cash flows from operating activities</b>					
Receipts from customers (inclusive of goods and services tax)		68,716	-	63,953	-
Payments to suppliers and employees		(31,953)	(259)	(32,797)	(356)
Net GST paid		(3,569)	-	(2,996)	-
Sundry income		10	10	7	7
Dividend received		-	300	-	300
Interest received		164	159	252	205
Interest paid		(341)	-	(564)	-
RWT & income taxes paid		(2,750)	-	(2,050)	-
RWT & income tax refund		-	-	1	1
Net cash inflow from operating activities	24	30,277	210	25,806	157
<b>Cash flows from investing activities</b>					
Payments for property, plant and equipment		(23,403)	-	(19,025)	(5)
Payments for intangible assets - computer software	16	(254)	-	(308)	-
Proceeds from Short Term Investments		(299)	(299)	600	600
Proceeds from sale of property, plant & equipment		288	-	324	-
Net cash (outflow) from investing activities		(23,668)	(299)	(18,409)	595
<b>Cash flows from financing activities</b>					
Applied to beneficiaries		(2)	(2)	(1,954)	(1,954)
Proceeds from borrowings		19,000	-	35,190	-
Repayment of borrowings		(26,200)	-	(41,040)	-
Net cash (outflows)/inflow from financing activities		(7,202)	(2)	(7,804)	(1,954)
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(593)</b>	<b>(91)</b>	<b>(407)</b>	<b>(1,202)</b>
Cash and cash equivalents at the beginning of the year		1,446	450	1,853	1,652
<b>Cash and cash equivalents at end of the year (excl short term deposits)</b>	10	<b>\$ 853</b>	<b>\$ 359</b>	<b>\$ 1,446</b>	<b>\$ 450</b>

*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 2017

### 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 2017. The financial statements for the "Parent" are those of the Trust.

The consolidated financial statements for the "Group" are for the economic entity comprising the Trust and its wholly owned subsidiary, Counties Power Limited. The group and parent are designated as a for profit entity for financial reporting purposes.

The authorisation and distribution of the financial statements will be ratified by the Trustees for issue 25 July 2017.

### 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 adopting Tier 1 accounting standards. The financial statements also comply with International Financial Reporting Standards (IFRS).

##### *Statutory base*

The consolidated financial statements have been prepared in accordance with the requirements of the Energy Companies Act 1992, Financial Reporting Act 2013 and the Companies Act 1993.

##### *Historical cost convention*

The consolidated 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.

##### *Comparative information*

Certain comparatives have been restated to align with current year presentation.

##### *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 2017

#### 2. Summary of significant accounting policies (continued)

##### (b) Foreign currency translation

###### *Functional and presentation currency*

Items included in the consolidated 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 consolidated 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 consolidated 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 annual consumer discounts when paid and Goods and Services Tax.

Consumer discounts are annual power account discounts returned to consumers and recognised when paid.

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 and metering revenue*

The Group operates electricity distribution networks and sells distribution and metering services to electricity retailers. Lines and metering revenue is recognised when the Group has delivered services to the customer and collectability of the related receivables is reasonably assured.

###### ii) *Construction contracting and capital contributions*

###### *Construction contracting*

The Group 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.



# Counties Power Consumer Trust

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

For the year ended 31 March 2017

### 2. Summary of significant accounting policies (continued)

#### (c) Revenue recognition (continued)

##### ii) *Contract costs are recognised when incurred (continued)*

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.

##### *Capital contributions*

Contributions from customers in relation to the construction of new lines for the network are accounted for as income when the asset is connected to the network using a 'percentage of completion' method. Where capital contributions are received in advance of the work being performed, this is initially recorded as deferred capital contribution liability and released to revenue as the work is completed.

##### 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 excluding imputation credits attached to that dividend.

##### v) *Rental income*

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

##### vi) *Other sales and service revenue*

###### *Sales of goods*

Sales of goods are recognised when the Group has delivered a product to the customer. 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 consolidated 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.



# Counties Power Consumer Trust

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

For the year ended 31 March 2017

### 2. Summary of significant accounting policies (continued)

(d) **Income Tax** (continued)

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.

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 consolidated 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 consolidated 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 consolidated statement of financial position.

(h) **Trade receivables**

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

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 within expenses in the consolidated statement of comprehensive income.



# Counties Power Consumer Trust

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

For the year ended 31 March 2017

### 2. Summary of significant accounting policies (continued)

#### (i) Inventories

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.

When revalued assets are sold, the amounts included in the revaluation reserve account are transferred to retained earnings.

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.

#### (j) Property, plant and equipment (continued)

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.



# Counties Power Consumer Trust

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

### For the year ended 31 March 2017

#### 2. Summary of significant accounting policies (continued)

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the consolidated statement of comprehensive income.

**(k) Intangible assets**

*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 consolidated 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. Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

**(n) Borrowing costs and borrowings**

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 consolidated statement of comprehensive income in the period in which they are incurred.

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.



# Counties Power Consumer Trust

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

For the year ended 31 March 2017

### 2. Summary of significant accounting policies (continued)

#### (o) 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.

#### (p) 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.

##### *(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.

#### (q) Trust Funds

Trust Funds represent the vesting of Company shares on settlement of the Trust. (refer note 21)

#### (r) Distributions

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

# Counties Power Consumer Trust

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

For the year ended 31 March 2017

### 2. Summary of significant accounting policies (continued)

#### (s) 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 consolidated statement of financial position.

#### (t) 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 2017

#### 2. Summary of significant accounting policies (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 has an interest rate swap that it designates as a hedge relating to variable interest rates on its borrowings.

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 consolidated statement of comprehensive income within 'other income and gains'.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss. 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 Consolidated Statement of Comprehensive Income. 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 Consolidated Statement of Comprehensive Income within 'other income and gains'.



# Counties Power Consumer Trust

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

For the year ended 31 March 2017

### 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 100% 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. There is no exposure to foreign currency risk at year end.

##### (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 up 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

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 2017 is immaterial. (2016: immaterial).

# Counties Power Consumer Trust

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

### For the year ended 31 March 2017

#### 3. Financial risk management (continued)

##### Financial risk factors (continued)

##### (b) Credit risk

The Company 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 maximum exposure to credit risk is best represented by the carrying value of cash and cash equivalents, trade and other receivables and finance lease receivables as indicated in note 29.

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 debtors, 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 19% of the Group's total trade and other receivables as at 31 March 2017 (2016: 26%). 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 (and forming part of) the Consolidated Financial Statements

#### For the year ended 31 March 2017

#### 3. Financial risk management (continued)

##### (c) Liquidity risk (continued)

Group At 31 March 2017	Less than 1 year \$,000	Between 1 and 2 years \$,000	Between 2 and 5 years \$,000	Over 5 years \$,000
Trade and other payables	12,100	28	71	95
Bank loans	7,800	-	-	-
Derivative Financial Instruments (Fair values)	64	-	-	-
<b>Group At 31 March 2016</b>				
Trade and other payables	7,389	60	72	119
Bank and loans	1,000	14,000	-	-
Derivative Financial Instruments (Fair values)	116	-	-	-

##### (d) Fair value estimation

The Group has discounted long term receivables and payables at the implicit rate for finance leases receivable, and at the incremental borrowing rate. This balance is presented net in Trade and other payables in the consolidated statement of financial position.

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 Consolidated Statement of Financial Position when the Group becomes a party to the contractual provisions of the instrument. NZ IFRS 13, Financial Instruments: Disclosures 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 and buildings are classified within level 3 of the fair value hierarchy. The valuation techniques and assumptions for distribution system assets and land and buildings measured at fair value are disclosed in note 14.

# Counties Power Consumer Trust

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

### For the year ended 31 March 2017

#### 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 2017 and 2016.

The Company monitors its compliance with banking covenants as required by its bankers, Westpac Banking Corporation and ASB Bank Limited (Note 20). There have been no breaches during the year.

The Company monitors equity using a gearing ratio (a non-GAAP measure), 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:

	2017 \$'000	2016 \$'000
The gearing ratios are as follows:		
Borrowings	7,800	15,000
Less: Cash and cash equivalents	(494)	(996)
<b>Net debt</b>	<b>7,306</b>	<b>14,004</b>
Equity	226,229	210,057
<b>Equity plus net debt</b>	<b>233,535</b>	<b>224,061</b>
Gearing ratio	3%	6%

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

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 6).

##### (ii) Construction contracting and capital contributions

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.



# Counties Power Consumer Trust

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

### For the year ended 31 March 2017

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

- (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.
- (iv) Depreciation  
Judgements have been made in relation to the Group's depreciation rates as per note 2(j).

#### 5. New Standards

No new standards and amendments have been adopted by the Group for the year ended 31 March 2017 which have a material impact on the financial statements.

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 date: periods beginning on or after 1 January 2018)  
NZ IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. NZ IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in NZ IAS 39.

For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. NZ IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under NZ IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The group intends to adopt NZ IFRS 9 on its effective date and has yet to assess its full impact.

# Counties Power Consumer Trust

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

### For the year ended 31 March 2017

#### 5. New Standards (continued)

**NZ IFRS 15: *Revenue from contracts with customers*** (Effective date: periods beginning on or after 1 January 2018)

**NZ IFRS 15, 'Revenue from contracts with customers'** deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces NZ IAS 18 'Revenue' and NZ IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The group intends to adopt NZ IFRS 15 on its effective date and is currently assessing its full impact.

**NZ IFRS 16: 'Leases'** replaces the current guidance in NZ IAS 17 (Effective date: Periods beginning on or after 1 January 2019). Under NZ IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Under NZ IAS 17, a lessee was required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). NZ IFRS 16 now requires a lessee to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. Included is an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees.

The standard is effective for accounting periods beginning on or after 1 January 2019. Early adoption is permitted but only in conjunction with NZ IFRS 15, 'Revenue from contracts with customers'. The Group intends to adopt NZ IFRS 16 on its effective date and has yet to assess its full impact.



# Counties Power Consumer Trust

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

For the year ended 31 March 2017

	Notes	2017 \$'000		2016 \$'000	
		Group	Parent	Group	Parent
<b>6. Revenue</b>					
<b>From continuing operations</b>					
Electricity line revenue		54,079	-	51,911	-
Less Consumer discounts		(9,835)	-	(9,605)	-
		44,244	-	42,306	-
Metering Revenue		3,591	-	3,172	-
Other sales and service revenue		28	-	1,518	-
Construction contract revenue		3,385	-	2,270	-
Capital Contributions		6,218	-	4,310	-
<b>Total from continuing operations</b>		<b>\$ 57,466</b>	<b>\$ -</b>	<b>\$ 53,576</b>	<b>\$ -</b>
<b>7. Other income</b>					
Gain on disposal of fixed assets		38	-	220	-
Sundry income		98	12	93	7
Dividend income		-	300	-	300
Interest income		137	132	246	199
		<b>\$ 273</b>	<b>\$ 444</b>	<b>\$ 559</b>	<b>\$ 506</b>
<b>8. Expenses</b>					
<b>Expenses, excluding finance costs, included in the statement of comprehensive income classified by nature</b>					
Employee benefits expense		12,698	-	12,001	-
Depreciation and amortisation expense		10,944	-	10,163	-
Transmission costs		12,191	-	10,511	-
Less: Rental Rebates		(608)	-	(619)	-
Other expenses		4,179	272	4,394	358
		<b>\$ 39,404</b>	<b>\$ 272</b>	<b>\$ 36,450</b>	<b>\$ 358</b>
<b>Finance costs</b>		<b>341</b>	<b>-</b>	<b>564</b>	<b>-</b>
<b>Included in expenses above</b>					
<b>Depreciation</b>					
Plant & vehicles	14	1,268	-	1,072	-
Buildings	14	195	-	190	-
Distribution system	14	7,412	-	7,086	-
Meters & relays	14	1,663	-	1,414	-
Fibre network	14	163	-	151	-
<b>Total depreciation</b>		<b>\$ 10,701</b>	<b>\$ -</b>	<b>\$ 9,913</b>	<b>\$ -</b>
<b>Amortisation</b>					
Computer software	16	243	-	250	-
<b>Total amortisation</b>		<b>\$ 243</b>	<b>\$ -</b>	<b>\$ 250</b>	<b>\$ -</b>

# Counties Power Consumer Trust

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

### For the year ended 31 March 2017

	Notes	2017 \$'000		2016 \$'000	
		Group	Parent	Group	Parent
<b>9. Income tax expense</b>					
<b>(a) Income tax expense</b>					
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		2,223	-	2,716	-
Deferred tax		2,779	-	1,995	-
		<u>\$ 5,002</u>	<u>\$ -</u>	<u>\$ 4,711</u>	<u>\$ -</u>
<b>(b) Numerical reconciliation of income tax expense to prima facie tax payable</b>					
Profit before tax		17,994	172	17,121	148
Add imputation credits attached to dividend		117	117	117	117
Income not subject to tax		-	-	-	-
Expenses not deductible for tax purposes		(26)	-	(165)	-
<b>Taxable profit</b>		<u>\$ 18,085</u>	<u>\$ 289</u>	<u>\$ 17,073</u>	<u>\$ 265</u>
Income tax expense attributable to taxable profits		5,067	-	4,877	87
Tax effect of tax loss carried forward		-	-	(87)	(87)
Prior year adjustments		(65)	-	(79)	-
Non-deductible depreciation on buildings		-	-	-	-
Change in corporate Tax Rate		-	-	-	-
<b>Income tax expense</b>		<u>\$ 5,002</u>	<u>\$ -</u>	<u>\$ 4,711</u>	<u>\$ -</u>
<b>(c) Imputation credit account</b>					
The value of imputation credits of the Company available for subsequent reporting periods as at 31 March 2017 is \$23.4 million (2016: \$20.7m).					
<b>(d) Tax losses available to the Trust</b>					
Balance as at 1 April		1,123	1,123	1,041	1,041
Tax losses applied to Trustee income		(311)	(311)	(272)	(272)
Imputation credits converted to loss carried forward		354	354	354	354
<b>Closing balance</b>		<u>\$ 1,166</u>	<u>\$ 1,166</u>	<u>\$ 1,123</u>	<u>\$ 1,123</u>
<b>10. Cash and cash equivalents</b>					
Bank balances		853	359	1,446	450
<b>Closing Balance (excl short term deps)</b>		<u>\$ 853</u>	<u>\$ 359</u>	<u>\$ 1,446</u>	<u>\$ 450</u>
<b>(a) Bank balances</b>					
Where applicable bank balances bear floating interest rates.					
<b>(b) Fair value</b>					
The carrying amount for cash and cash equivalents equals the fair value.					



# Counties Power Consumer Trust

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

For the year ended 31 March 2017

	Notes	2017 \$'000		2016 \$'000	
		Group	Parent	Group	Parent
<b>11. Receivables</b>					
Trade receivables		781	-	703	-
Accrued revenue		4,824	-	4,525	-
Other receivables		35	35	62	62
Provision for doubtful receivables		(276)	-	(295)	-
Net trade receivables	29	5,364	35	4,995	62
Sundry prepayments		226	7	452	6
<b>Total Receivables</b>		<b>\$ 5,590</b>	<b>\$ 42</b>	<b>\$ 5,447</b>	<b>\$ 68</b>
<b>Provision for doubtful receivables</b>					
Opening balance		295	-	295	-
Plus additional provision recorded during the year		(19)	-	-	-
<b>Closing balance</b>		<b>\$ 276</b>	<b>\$ -</b>	<b>\$ 295</b>	<b>\$ -</b>

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

The Group has recognised an expense of \$93,000 in respect of bad and doubtful trade receivables during the year ended 31 March 2017. (2016: \$172,855). 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 2017, trade receivables of \$135,000. (2016: \$99,761) 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	9	-	48	-
2 months overdue	8	-	51	-
3 months overdue	118	-	26	-
Over 3 months	288	-	318	-
	<b>\$ 423</b>	<b>\$ -</b>	<b>\$ 443</b>	<b>\$ -</b>

Of the amounts 3 months or more overdue, \$276,000 has been provided for. (2016: \$295,000).

# Counties Power Consumer Trust

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

### For the year ended 31 March 2017

	Notes	2017 \$'000	2016 \$'000
		Group	Parent
<b>12. Inventories</b>			
Raw materials and consumables			
- at net realisable value		33	67
		<b>\$ 33</b>	<b>\$ 67</b>

### 13. Construction contracts in progress

Construction contract costs incurred and recognised  
Recognised surplus on contracts

**Total construction contracts in progress**

	-	-	21	-
	-	-	2	-
	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 23</b>	<b>\$ -</b>

The Workshop division of Counties Power Limited was sold in March 2017

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

	Land \$'000	Buildings \$'000	Plant & vehicles \$'000	Meters & relays \$'000	Distribution system \$'000	Fibre network \$'000	Total \$'000	Parent – Plant & Equipment
<b>Year ended 31 March 2016</b>								
Opening net book value	10,284	7,188	3,752	12,848	222,754	391	257,217	11
Additions	-	58	1,061	2,831	13,513	61	17,524	5
WIP	-	-	585	-	916	-	1,501	-
Revaluation surplus (deficit) (note 24)	-	-	-	-	(48)	-	(48)	-
Disposals	-	-	(40)	-	(67)	-	(107)	-
Depreciation charge	-	(190)	(1,072)	(1,414)	(7,086)	(151)	(9,913)	-
<b>Closing net book value</b>	<b>10,284</b>	<b>7,056</b>	<b>4,286</b>	<b>14,265</b>	<b>229,982</b>	<b>301</b>	<b>266,174</b>	<b>16</b>
<b>At 31 March 2016</b>								
Cost or valuation	10,284	7,423	16,357	18,620	237,054	1,167	290,905	22
Accumulated depreciation	-	(367)	(12,071)	(4,355)	(7,072)	(866)	(24,731)	(6)
<b>Net book value</b>	<b>10,284</b>	<b>7,056</b>	<b>4,286</b>	<b>14,265</b>	<b>229,982</b>	<b>301</b>	<b>266,174</b>	<b>16</b>
<b>Year ended 31 March 2017</b>								
Opening net book value	10,284	7,056	4,286	14,265	229,982	301	266,174	16
Additions	-	29	2,446	1,268	19,697	49	23,489	-
WIP	-	-	-	-	(86)	-	(86)	-
Revaluation surplus (note 24)	3,371	(79)	-	-	-	-	3,292	-
Disposals	-	-	(250)	-	-	-	(250)	-
Depreciation charge	-	(195)	(1,268)	(1,663)	(7,412)	(163)	(10,701)	-
<b>Closing net book value</b>	<b>13,655</b>	<b>6,811</b>	<b>5,214</b>	<b>13,870</b>	<b>242,181</b>	<b>187</b>	<b>281,917</b>	<b>16</b>
<b>At 31 March 2017</b>								
Cost or valuation	13,655	6,811	17,291	19,888	256,665	1,216	315,526	22
Accumulated depreciation	-	-	(12,077)	(6,018)	(14,484)	(1,029)	(33,609)	(6)
<b>Net book value</b>	<b>13,655</b>	<b>6,811</b>	<b>5,214</b>	<b>13,870</b>	<b>242,181</b>	<b>187</b>	<b>281,917</b>	<b>16</b>

The Company's Network Fibre assets are held under finance lease arrangements as detailed in note 18.



# Counties Power Consumer Trust

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

### For the year ended 31 March 2017

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

##### Valuation Information

##### *Distribution System Assets*

Distribution system assets were subject to an independent valuation as 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 was 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 <sup>1</sup>	90.0%	110%	-/+1.3
WACC	6.5%	6.0%	7.0%	-/+9.0
CPI inflation	2.0%	1.5%	2.5%	-/+8.0

<sup>1</sup> 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 adopted a valuation of \$223m as a fair value at 31 March 2015. Management has undertaken a review at 31 March 2017 to determine whether the value of the distribution system assets remains materially appropriate. This review indicated that the carrying value of these assets continues to reflect their fair value.

##### Land and Buildings

The network buildings and land were revalued upwards by \$3.3 million as at 31 March 2017. These valuations were prepared by JLL, independent valuers and property consultants with local experience. These valuations were carried out in accordance with PINZ Practice Standards and the New Zealand equivalent to International Valuation Standards IAS 16. The valuations were determined based on discounted cashflow, capitalisation of net income, sales comparison and depreciated replacement cost approaches. The valuations took into account 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	2017 \$'000		2016 \$'000	
	Group	Parent	Group	Parent
Distribution Network – deemed cost	278,867	-	259,254	-
Less Accumulated Depreciation	(55,620)	-	(48,893)	-
<b>Net book value</b>	<b>\$ 223,247</b>	<b>\$ -</b>	<b>\$ 210,361</b>	<b>\$ -</b>
Land – deemed cost	1,638	-	1,638	-
Buildings – deemed cost	5,559	-	5,533	-
Less Accumulated Depreciation	(1,418)	-	(1,223)	-
<b>Net book value</b>	<b>\$ 5,779</b>	<b>\$ -</b>	<b>\$ 5,948</b>	<b>\$ -</b>

# Counties Power Consumer Trust

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

### For the year ended 31 March 2017

Notes	2017 \$'000		2016 \$'000	
	Group	Parent	Group	Parent
<b>15. Deferred tax liabilities</b>				
<b>Movements</b>				
Opening deferred tax asset liability	38,395	-	36,432	-
Charge to the statement of comprehensive income	2,779	-	1,995	-
Cash flow hedges	14	-	(32)	-
Deferred tax recognised on revalued assets	(22)	-	-	-
<b>Closing balance at 31 March</b>	<b>\$ 41,166</b>	<b>\$ -</b>	<b>\$ 38,395</b>	<b>\$ -</b>
<b>Deferred tax Assets:</b>				
Deferred income tax asset to be recovered after more than 12 months	277	-	370	-
Deferred income tax asset to be recovered within 12 months	119	-	158	-
<b>Closing balance at 31 March</b>	<b>\$ 396</b>	<b>\$ -</b>	<b>\$ 528</b>	<b>\$ -</b>
<b>Deferred tax liabilities:</b>				
Deferred tax income tax liability to be recovered after more than 12 months	41,562	-	38,923	-
<b>Closing balance at 31 March</b>	<b>41,166</b>	<b>-</b>	<b>38,923</b>	<b>-</b>
<b>Deferred income tax liabilities (net)</b>	<b>\$ 41,166</b>	<b>\$ -</b>	<b>\$ 38,395</b>	<b>\$ -</b>
	<b>Revaluation of property, plant and equipment \$'000</b>	<b>Depreciation \$'000</b>	<b>Other \$'000</b>	<b>Total \$'000</b>
<b>Deferred tax liabilities</b>				
At 31 March 2015	28,065	8,733	(366)	36,432
Charged/(credit) to profit or loss	-	2,119	(124)	1,995
Cash flow hedge	-	-	(32)	(32)
Charged directly to equity	-	-	-	-
At 31 March 2016	28,065	10,852	(522)	38,395
Charged/(credit) to profit or loss	-	2,685	94	2,779
Cash flow hedges	-	-	14	14
Charged directly to equity	(22)	-	-	(22)
At 31 March 2017	28,043	13,537	(414)	41,166



# Counties Power Consumer Trust

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

For the year ended 31 March 2017

	Notes	2017 \$'000		2016 \$'000	
		Group	Parent	Group	Parent
<b>16. Intangible assets</b>					
<b>Computer software</b>					
Opening balance					
Cost		4,706	-	4,452	-
Accumulated amortisation		(4,096)	-	(3,853)	-
<b>Net book value</b>		<b>\$ 610</b>	<b>\$ -</b>	<b>\$ 599</b>	<b>\$ -</b>
Opening net book value		599	-	541	-
Additions		254	-	308	-
Amortisation charge		(243)	-	(250)	-
<b>Closing net book value</b>		<b>\$ 610</b>	<b>\$ -</b>	<b>\$ 599</b>	<b>\$ -</b>

## 17. Other Registered Holdings of the Company

Subsidiaries	Interest held by Entity 2017		Interest held by Entity 2016	
Awhitu Land Holdings Limited	100%	-	100%	-
Counties Power Lines Limited	100%	-	100%	-
New Zealand Relay Limited	100%	-	100%	-
<b>Investment</b>				
SmartCo Limited	14.29%	-	14.29%	-

During the year an application was made to the companies office to deregister Awhitu Land Holdings Limited and New Zealand Relay Limited (refer Note 28). All companies have a balance date of 31 March and are incorporated in New Zealand. The companies are non-trading (2016: non-trading).

	Notes	2017 \$'000		2016 \$'000	
		Group	Parent	Group	Parent
<b>18. Trade and other Payables</b>					
Trade payables		5,783	31	2,803	22
Sundry accruals		2,084	-	2,151	-
Capital contribution liability		4,204	-	2,435	-
Financial Lease – deferred income		29	-	-	-
Total current payables		12,100	31	7,389	22
Financial Lease – deferred income		194	-	251	-
<b>Total payables</b>		<b>\$ 12,294</b>	<b>\$ 31</b>	<b>\$ 7,640</b>	<b>\$ 22</b>

# Counties Power Consumer Trust

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

For the year ended 31 March 2017

	Notes	2017 \$'000		2016 \$'000	
		Group	Parent	Group	Parent
<b>19. Employee benefits</b>					
Employee benefits		56	-	41	-
Employee Incentive		-	-	-	-
Retirement benefit obligations		236	-	285	-
Unpaid leave		51	-	500	-
Holiday Pay		789	-	750	-
<b>Total Provisions</b>		<b>\$ 1,132</b>	<b>\$ -</b>	<b>\$ 1,576</b>	<b>\$ -</b>

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

The unpaid leave provision relates to liabilities for the incorrect calculation of historical leave payments under the Holiday Pay Act 2003.

## 20. Bank borrowings

	Notes	2017 \$'000		2016 \$'000	
		Group	Parent	Group	Parent
<b>Unsecured - interest bearing</b>					
Bank loan – current		7,800	-	1,000	-
Bank loan – non-current		-	-	14,000	-
<b>Total borrowings</b>		<b>\$ 7,800</b>	<b>\$ -</b>	<b>\$ 15,000</b>	<b>\$ -</b>

### (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	35,000	-	45,000	-
Used at reporting date	7,800	-	15,000	-
<b>Unused at reporting date – Bank loans</b>	<b>\$ 27,200</b>	<b>\$ -</b>	<b>\$ 30,000</b>	<b>\$ -</b>

The revolving credit bank loan facilities may be drawn down at any time. The Westpac banking loan facility limit is \$5.0 million and expires on 16 December 2019 (2016: \$15.0 million). The ASB banking loan facility limit is \$30.0 million and expires on 18 December 2017. The directors fully anticipate that the facility will be renewed with the ASB for a further term or successfully secured with another bank. There have been no breaches of debt covenants during the year. (2016: nil) and the Group forecasts it will continue to comply with covenants. Borrowings are subject to restrictive covenants imposed by Westpac and ASB. Principal covenants are as follows:

- 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 Group shall not be less than three times.
- Shareholder's funds are not 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 3.82% (2016: 3.91%). The Distribution System and Metering assets include capitalised borrowing costs of \$43,000 (2016: \$178,000).



# Counties Power Consumer Trust

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

For the year ended 31 March 2017

(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.

### 21. Trust Funds

	Notes	2017 \$'000		2016 \$'000	
		Group	Parent	Group	Parent
Trust Funds at resettlement		30,797	30,797	30,797	30,797
<b>Total Trust Funds</b>		<b>\$ 30,797</b>	<b>\$ 30,797</b>	<b>\$ 30,797</b>	<b>\$ 30,797</b>

Value of 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.

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 between \$85 and \$90 million.

### 22. Reserves

	Notes	2017 \$'000		2016 \$'000	
		Group	Parent	Group	Parent
<b>Retained earnings</b>					
Opening balance		148,484	3,883	138,030	5,691
Distribution to Trust Beneficiaries		(1)	(1)	(1,956)	(1,956)
Net Surplus for the year		12,992	172	12,410	148
<b>Closing balance</b>		<b>\$ 161,475</b>	<b>\$ 4,054</b>	<b>\$ 148,484</b>	<b>\$ 3,883</b>
<b>Asset revaluation reserve</b>					
Opening balance		34,765	-	34,813	-
Revaluations	14	3,292	-	(48)	-
Deferred tax		22	-	-	-
<b>Closing balance</b>		<b>\$ 38,079</b>	<b>-</b>	<b>\$ 34,765</b>	<b>-</b>
<b>Cash flow hedge reserve</b>					
Opening balance		(106)	-	59	-
Derivative contracts taken into equity		52	-	(197)	-
Deferred tax		(14)	-	32	-
<b>Closing balance</b>		<b>(68)</b>	<b>-</b>	<b>(106)</b>	<b>-</b>
<b>Total retained earnings and reserves</b>		<b>\$ 199,486</b>	<b>\$ 4,054</b>	<b>\$ 179,260</b>	<b>\$ 3,833</b>

# Counties Power Consumer Trust

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

For the year ended 31 March 2017

### 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:

Notes	2017 \$'000		2016 \$'000	
	Group	Parent	Group	Parent
<b>Audit services</b>				
Auditing the Trust Financial Statements - RSM	16	16	14	14
Auditing the Company Financial Statements - PWC	97	-	91	-
Auditing of Regulatory Services	37	-	34	-
<b>Total Audit services</b>	<b>150</b>	<b>16</b>	<b>139</b>	<b>14</b>
<b>Other Services</b>				
Other Advisory Services - PWC	-	-	20	-
Regulatory Advice - PWC	-	-	9	-
<b>Total Remuneration of Other services</b>	<b>-</b>	<b>-</b>	<b>29</b>	<b>-</b>
<b>Total Remuneration of Auditors</b>	<b>\$ 150</b>	<b>\$ 16</b>	<b>\$ 168</b>	<b>\$ 14</b>

The revenue process review relates to review work performed by the subsidiary's auditor, PWC, to assess the Company's electricity distribution revenue management processes. Regulatory advice comprises submissions to the Commerce Commission on behalf of a group of electricity distribution business, of which Counties Power is a member.

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

Notes	2017 \$'000		2016 \$'000	
	Group	Parent	Group	Parent
Reported surplus after tax	12,992	172	12,410	148
Depreciation and amortisation	10,944	-	10,163	-
Changes in Deferred Tax	2,779	-	1,995	-
Net loss/(gain) on sale of assets	(38)	-	(217)	-
	13,685	-	11,941	-
<i>(Decrease)/Increase in Current Liabilities</i>				
Accounts Payable	4,655	10	(665)	2
Employee Benefits	(444)	-	496	-
<i>Decrease/(Increase) in Current Assets</i>				
Accounts Receivable	(141)	28	692	6
Income Tax Receivable	(527)	-	666	1
Inventories	34	-	83	-
Construction	23	-	183	-
Prepayments	-	-	-	-
	3,600	38	1,455	9
<b>Net cash inflow from operating activities</b>	<b>\$ 30,277</b>	<b>\$ 210</b>	<b>\$ 25,806</b>	<b>\$ 157</b>



# Counties Power Consumer Trust

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

### For the year ended 31 March 2017

#### 25. Contingent liabilities

The Group had no contingent liabilities as at 31 March 2017. (2016: \$nil).

#### 26. Commitments

##### (a) Capital commitments

The Group had \$1,175,000 committed for property, plant and equipment at 31 March 2017. (2016: \$279,000).

##### (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.

Notes	2017 \$'000		2016 \$'000	
	Group	Parent	Group	Parent
Within 1 year	123	21	123	21
Later than 1 year and no later than 5 years	417	7	438	28
Later than 5 years	315	8	418	8
	<u>\$ 856</u>	<u>\$ 36</u>	<u>\$ 979</u>	<u>\$ 57</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:

Notes	2017 \$'000		2016 \$'000	
	Group	Parent	Group	Parent
Directors' fees	\$ 280	\$ -	\$ 286	\$ -
Trustees' fees	\$ 97	\$ 97	\$ 107	\$ 107
Dividends received	-	\$ 300	-	\$ 300

During the year, the Trust rented office premises from SBH Holdings in which a Trustee has an interest. The rent totalled \$19,320 excluding the insurance, rates and maintenance components inclusive of GST (2016: \$17,767).

The Company owns 14.29% of SmartCo Limited and benefits from the group buying benefits of SmartCo in relation to smart meters and related equipment. The Company paid a contribution of \$6,000 to the operating costs of SmartCo Limited during the year (2016: \$6,000).

Dividends paid by the Company to the Trust was 2 cents per share. (2016: 2 cents per share). In the consolidated statements, this dividend has been eliminated.

The Group had no other related party transactions during the year.

# Counties Power Consumer Trust

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

### For the year ended 31 March 2017

(c) **Outstanding balances**

The Group had no outstanding balances with related parties at reporting date. (2016: \$nil).

(d) **Terms and conditions**

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

(e) **Key management personnel compensation**

	Notes	2017 \$'000		2016 \$'000	
		Group	Parent	Group	Parent
Trustees fees		97	97	99	100
Directors fees		280	-	286	-
Salaries and short term employee benefits		1,630	-	1,669	-
Termination payment		-	-	68	-
<b>Total</b>		<b>\$ 2,007</b>	<b>\$ -</b>	<b>\$ 2,122</b>	<b>\$ 100</b>

Key management personnel have been defined as the Senior Leadership team of the company and the Trustees and have been restated for the prior year for consistency.

## 28. Events occurring after reporting date

Subsequent to year end, Awhitu Land Holdings Limited and New Zealand Relay Limited were deregistered by the Companies Office (refer Note 31)

The Group had no other events occurring after reporting date which require recognition or disclosure in the consolidated 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
<b>At 31 March 2017</b>						
Finance lease receivable	-	-	-	-	-	-
Trade and other receivables	-	-	5,365	36	5,365	36
Cash and cash equivalents	-	-	4,507	4,013	4,507	4,013
	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 9,872</b>	<b>\$4,049</b>	<b>\$ 9,872</b>	<b>\$4,049</b>
<b>At 31 March 2016</b>						
Finance lease receivable	-	-	818	-	818	-
Trade and other receivables	-	-	4,995	62	4,995	62
Cash and cash equivalents	-	-	4,800	3,804	4,800	3,804
	<b>\$ -</b>	<b>\$ -</b>	<b>\$10,613</b>	<b>\$3,866</b>	<b>\$10,613</b>	<b>\$3,866</b>



# Counties Power Consumer Trust

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

For the year ended 31 March 2017

### 30. 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
<b>At 31 March 2017</b>						
Derivative financial instruments	64	-	-	-	64	-
Borrowings	-	-	7,800	-	7,800	-
Trade and other payables	-	-	12,294	31	12,294	31
	<b>\$ 64</b>	<b>\$ -</b>	<b>\$20,094</b>	<b>\$ 31</b>	<b>\$20,158</b>	<b>\$ 31</b>
<b>At 31 March 2016</b>						
Derivative financial instruments	116	-	-	-	116	-
Borrowings	-	-	15,000	-	15,000	-
Finance lease liabilities	-	-	1,069	-	1,069	-
Trade and other payables	-	-	7,389	22	7,389	22
	<b>\$ 116</b>	<b>\$ -</b>	<b>\$23,458</b>	<b>\$ 22</b>	<b>\$23,574</b>	<b>\$ 22</b>

Notes	2017 \$'000		2016 \$'000	
	Group	Parent	Group	Parent

### 31. Derivative financial instruments

#### Current Liabilities

Forward foreign exchange contracts – cash flow hedges

Interest rate swap

**Net derivative financial instruments**

-	-	-	-
(64)	-	(116)	-
<b>\$ (64)</b>	<b>\$ -</b>	<b>\$ (116)</b>	<b>\$ -</b>

All derivatives were designated as cash flow hedges.

The principal amount of the interest rate swaps was \$4,000,000 (2016: \$4,000,000). This is for the three year period ending 19 March 2018, at a fixed rate of 3.73%.

The Group had no outstanding forward foreign exchange contracts at 31 March 2017 (2016: \$nil).

# Counties Power Consumer Trust

## Statement of Service Performance

### For the year ended 31 March 2017

The table below sets out the performance targets included in the Statement of Corporate Intent for the year ended 31 March 2017.

	2017		2016	
	TARGET	ACTUAL	TARGET	ACTUAL
Earnings before consumer discounts, interest and tax expressed as a percentage of total average capital employed	11.9	12.3%	11.5%	12.3%
Net profit/(loss) before consumer discounts and after tax expressed as a percentage of average consolidated shareholders' funds	8.9%	9.3%	8.9%	9.4%
Average minutes without electricity per consumer: (SAIDI)				
• Unplanned outages	75	166.88	70	99.24
• Planned	40	69.69	25	19.07
Average faults per consumer (11kV and above) (SAIFI)	2.55	3.28	2.55	2.7

Unplanned outages, as measured by SAIDI (average minutes without electricity per customer), exceeded the target by 91.88 minutes (222% unfavourable). Contributing factors to the unfavourable result included an increase in severe weather events affecting the network (predominantly overhead equipment and vegetation), as well as new safety rules relating to how circuits are restored following a fault extending the duration of some outages. The main categories of faults were overhead equipment failure (56.33 minutes), vegetation (23.74 minutes) and a high number of car versus pole incidents (40.95 minutes).

Planned SAIDI exceeded the target by 29.69 minutes (174% unfavourable) for the year. This was due to a combination of the new live line working rules being introduced which reduced the amount of live work undertaken, coinciding with a large works programme of maintenance and asset replacement.

SAIFI performance was unfavourable against the target due to the nature of unplanned outages where faults affected large groups of customers in single events, as well as repeat outages on some highly populated feeders.

The impact of normalisation on the 2017 performance results reduced Unplanned SAIDI from 205.25 minutes to 166.88 minutes, and planned SAIDI from 139.37 minutes to 69.69 minutes. Normalisation of SAIFI reduced the result from 3.72 to 3.28.

The SAIDI and SAIFI results were calculated using information from the Company's non-financial systems, which includes the manual recording of some outage types, which affects the completeness of interruption data, and in some cases the accuracy of installation control point (ICP) numbers included in the SAIDI and SAIFI calculations.

#### Health and Safety Measures

Health and safety continues to be the most important aspect of what we do and why we do it. It's the first core business agenda item at each board meeting and is supported by key information from all corners of Counties Power Group of businesses.

Counties Power is an active member of the Business Leaders' Health and Safety forum whose prerequisite for membership is a pledge to Zero Harm. Within the reporting period, Counties Power Safety Management System was externally audited and we retained certification. Like many other companies we continue to assess our key critical risks and the management thereof, with increasing insight being put on the health component of health and safety.

	2017		2016	
	TARGET	ACTUAL	TARGET	ACTUAL
Lost time Injuries (LTIs)	0	1	0	5



RSM Hayes Audit

PO Box 9588  
Newmarket, Auckland 1149  
Level 1, 1 Broadway  
Newmarket, Auckland 1023

T +64 (9) 367 1656  
[www.rsmnz.co.nz](http://www.rsmnz.co.nz)

## Independent Auditor's Report To the Beneficiaries of Counties Power Consumer Trust

### Opinion

We have audited the consolidated financial statements of Counties Power Consumer Trust and its subsidiary, which comprise:

- the consolidated and parent statement of financial position as at 31 March 2017;
- the consolidated and parent statement of comprehensive income for the year then ended;
- consolidated and parent statement of changes in equity;
- consolidated and parent cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies.

In our opinion, the consolidated and parent financial statements on pages 9 to 39 present fairly, in all material respects, the financial position of Counties Power Consumer Trust and its subsidiary as at 31 March 2017, and their financial performance and cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We are independent of Counties Power Consumer Trust and its subsidiary in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Other than in our capacity as auditor we have no relationship with, or interests in, Counties Power Consumer Trust and its subsidiary.

### Other information

The Trustees are responsible for the other information. The other information comprises the Directory, Chair report and Trustee Statement on pages 2 to 8, the Statement of Service Performance on page 40 and the Statement of Corporate Intent in the 2<sup>nd</sup> Section (but does not include the consolidated and parent financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report. Our opinion on the consolidated and parent financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

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

## Responsibilities of the Trustees for the consolidated financial statements

The Trustees are responsible, on behalf of Counties Power Consumer Trust and its subsidiary, for the preparation and fair presentation of the consolidated and parent financial statements in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards, and for such internal control as the Trustees determine is necessary to enable the preparation of consolidated and parent financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and parent financial statements, the Trustees are responsible, on behalf of the Counties Power Consumer Trust and its subsidiary, for assessing the ability of Counties Power Consumer Trust and its subsidiary to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless, the Trustees either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and parent financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these consolidated and parent financial statements. A further description of the auditor's responsibilities for the audit of the consolidated and parent financial statements is located at the XRB's website at:

<https://xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-7>

## Who we report to

This report is made solely to the beneficiaries of Counties Power Consumer Trust, as a body, in accordance with the Trust Deed. Our audit work has been undertaken so that we might state those matters which 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 Trust and its' beneficiaries, as a body, for our audit work, for this report or for the opinions we have formed.

A handwritten signature in blue ink that reads 'RSM'.

**RSM Hayes Audit**  
Auckland

31 July 2017