

COUNTIES POWER CONSUMER TRUST

SEPARATE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

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Independent Auditor's Report

To the Beneficiaries of Counties Power Consumer Trust

Opinion

We have audited the separate financial statements of Counties Power Consumer Trust, which comprise:

- the balance sheet as at 31 March 2019;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies.

In our opinion, the separate financial statements on pages 5 to 14 present fairly, in all material respects, the financial position of the Counties Power Consumer Trust only as at 31 March 2019, and of its financial performance and its 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 financial statements* section of our report.

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

Other information

The Trustees are responsible for the other information. The other information comprises the Directory on page 4 and the Budget income statement for the year ended 31 March 2020 on page 15 (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report. Our opinion on the 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 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 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 financial statements

The Trustees are responsible, on behalf of the Counties Power Consumer Trust, for the preparation and fair presentation of the separate 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 the separate financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the separate financial statements

Our objectives are to obtain reasonable assurance about whether the separate 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 separate financial statements. A further description of the auditor's responsibilities for the audit of the separate financial statements is located at the XRB's website at:

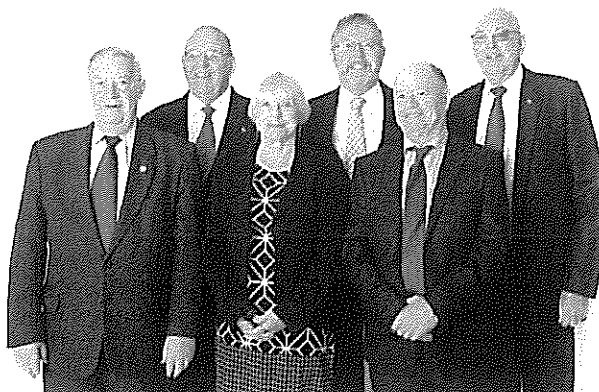
<https://xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-8>

Who we report to

This report is made solely to the 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 Counties Power Consumer 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'.

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 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 P S Beston

Mr D W Thomson

Mr D M Spratt

Dpt Mgt, MBA

Secretary

Mr N W Foote

B Com, CA

Contact Address

Suite 6, 23 Hall St, PUKEKOHE
P O Box 580, PUKEKOHE
Telephone: 09 2383780

Solicitors

Simpson Grierson, AUCKLAND

Bankers

ANZ, PAPA KURA

Auditors

RSM Hayes Audit, AUCKLAND

**COUNTIES POWER CONSUMER TRUST
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2019**

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Budget for 2019	Note	2019	2018
Income			
300,000	Dividend Received	300,000	300,000
142,800	Interest - all Banks	137,280	133,756
5,250	Sundry Income	5,318	450
448,050	Total Income	442,598	434,206
Less Expenses			
15,300	Accountancy	18,496	18,939
16,500	Audit Fees	16,145	16,500
180	Bank Fees	48	130
5,500	Communication & Public Relations	8,248	5,343
1,665	Depreciation	1,665	2,177
-	Election Expenses	-	70,693
8,000	Energy Trust Levies	7,994	7,994
2,000	General Expenses	5,794	6,253
7,275	Insurance	7,376	5,308
1,080	Light and Power	947	1,040
4,500	Post, Stationery, Phone & Fax, Internet	3,888	6,378
28,000	Professional Fees	27,687	21,999
27,400	Rent	27,095	25,983
200	Repairs and Maintenance	-	-
58,140	Secretarial Fees	62,489	72,077
100	Security	-	-
10,000	Training	5,291	7,591
12,002	Travel & Accommodation	12,708	12,872
197,842		205,871	281,277
120,090	Trustees' Fees	124,533	102,772
1,815	Trustees' General Expenses	2,609	3,938
3,000	Trustee Meeting & Seminar Exp	3,337	2,223
124,905		130,479	108,933
322,747	Total Expenses	336,350	390,210
\$ 125,303	Comprehensive Income for the Year	\$ 106,248	\$ 43,996

The financial statements have been audited and should be read in conjunction with the notes to the accounts and the auditor's report.

**COUNTIES POWER CONSUMER TRUST
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2019**

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	Note	Trust Funds	Accumulated Funds	Trust Equity
2019				
Opening Balance at 1 April 2018		30,797,100	4,098,305	34,895,405
Comprehensive Income for the Year		-	106,248	106,248
Closing Balance at 31 March 2019		\$ 30,797,100	\$ 4,204,553	\$ 35,001,653
2018				
Opening Balance at 1 April 2017		30,797,100	4,054,309	34,851,409
Comprehensive Income for the Year		-	43,996	43,996
Closing Balance at 31 March 2018		\$ 30,797,100	\$ 4,098,305	\$ 34,895,405

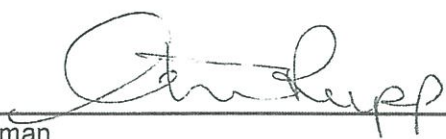
The financial statements have been audited and should be read in conjunction with the notes to the accounts and the auditor's report.

**COUNTIES POWER CONSUMER TRUST
BALANCE SHEET
AS AT 31 MARCH 2019**

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	Note	2019	2018
Equity			
Trust Funds	(1)	30,797,100	30,797,100
Trust Accumulated Income		4,204,553	4,098,305
Closing Equity		\$ 35,001,653	\$ 34,895,405
Represented by:			
Current Assets			
Cash and Cash Equivalents	(2)(a)	209,392	251,143
Short Term Investments	(2)(b)	3,955,821	3,805,838
Total at Bank		4,165,213	4,056,981
Prepayments		10,419	9,138
Interest Receivable		41,128	33,009
Sundry Debtors		-	18
		<u>4,216,760</u>	<u>4,099,146</u>
Less: Current Liabilities			
Accounts Payable		36,373	28,359
Working Capital		<u>4,180,387</u>	<u>4,070,787</u>
Non Current Assets			
Website Development		6,446	6,446
Less: Accumulated Depreciation		(2,821)	(1,612)
Prepayments		11,838	13,525
Office Equipment & Furniture		16,542	16,542
Less: Accumulated Depreciation		(7,739)	(7,283)
		<u>24,266</u>	<u>27,618</u>
Investments			
Shares – Counties Power Ltd	(1)	30,797,000	30,797,000
		<u>30,797,000</u>	<u>30,797,000</u>
		\$ 35,001,653	\$ 34,895,405

For and on behalf of the Trustees


Chairman


Secretary

31/7/2019

The financial statements have been audited and should be read in conjunction with the notes to the accounts and the auditor's report.

COUNTIES POWER CONSUMER TRUST
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2019

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	Note	2019	2018
Cash Flows from Operating Activities			
Cash was provided from:			
Interest		129,161	140,160
Taxation Refund		-	-
Dividends		300,000	300,000
Sundry		5,318	1,350
		<u>434,479</u>	<u>441,510</u>
Cash was disbursed to:			
Administration expenses		326,246	396,490
		<u>326,246</u>	<u>396,490</u>
Net Cash Inflows from Operating Activities		<u>108,233</u>	<u>45,020</u>
Cash Flows from Investing Activities			
Proceeds/(Purchases) from Short Term Investments		(149,983)	(151,350)
New Asset		0	(989)
Net Cash (Outflows)/Inflows from Investing Activities		<u>(149,983)</u>	<u>(152,339)</u>
Net Increase/(Decrease) in Cash Held		<u>(41,750)</u>	<u>(107,319)</u>
Add: Opening Cash		251,143	358,462
Closing Cash (Bank)	(2)	<u>\$ 209,393</u>	<u>\$ 251,143</u>
RECONCILIATION OF NET INCREASE IN CASH HELD TO NET SURPLUS FOR THE YEAR			
Net Cash Inflows from Operating Activities		<u>108,233</u>	<u>45,020</u>
Increase/(Decrease) in Accrued Interest		8,119	(1,916)
Increase/(Decrease) in Prepayments		(406)	885
Increase/(Decrease) in Sundry Debtors		(18)	(882)
Decrease/(Increase) in Accounts Payable		(8,015)	3,067
		<u>(320)</u>	<u>1,154</u>
Deduct:			
Depreciation		(1,665)	(2,177)
		<u>(1,665)</u>	<u>(2,177)</u>
Net Surplus for the Year		<u>\$ 106,248</u>	<u>\$ 43,997</u>

The financial statements have been audited and should be read in conjunction with the notes to the accounts and the auditor's report.

Reporting Entity

Counties Power Consumer Trust is a Trust constituted under a Deed of Resettlement dated 14 September 1995. The financial statements are for the year ended 31 March 2019. Separate financial statements for the trust and consolidated financial statements are prepared to meet the Trustees' reporting requirements. The financial statements were authorised for issue by the Trustees on 23 July, 2019

Statement of Compliance and Basis of Preparation

The financial statements have been prepared in accordance with the New Zealand Generally Accepted Accounting Practice (NZ GAAP). They comply with the New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards as appropriate for profit oriented entities. For financial reporting purposes the Trustees have elected to apply Tier 1 accounting standards under the NZIFRS accounting framework.

Counties Power Consumer Trust is designated as a for profit oriented entity for financial reporting purposes as the Trustees believe the Trust does not meet the definition of a public benefit entity.

Measurement Base

The accounting principles recognised as appropriate for the measurement and reporting of financial performance and financial position on an historical cost basis are followed by Counties Power Consumer Trust.

Presentation Currency

These financial statements are presented in New Zealand dollars (NZ\$).

Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Investment in Wholly owned Subsidiary

The investment is recorded at the total opening Shareholders' Funds of Counties Power Limited \$30,797,000 at the time of acquisition.

This is carried at cost and is not revalued in these financial statements.

(b) Non Current Assets

The fixed assets are recorded at cost less accumulated depreciation and impairment losses. Website Development Costs have been recorded at cost less accumulated depreciation.

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.

(c) Depreciation

Depreciation is charged so as to write off the cost over the estimated useful lives.

Depreciation is charged to the Statement of Comprehensive Income. The following rates have been used.

Office Equipment & Furniture	12% - 60% Diminishing Value
Website Development	25% Diminishing Value

(d) GST

The financial statements are GST inclusive as the Trust is not eligible to register for GST purposes.

(e) Receivables

These (if any) are measured at their net realisable value.

(f) Revenue recognition

Dividends are recognised when received.

Interest is recognised when received. Interest on any unexpired investment at balance date is accrued at the rate of the particular investment.

(g) Cash and cash equivalents

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

(h) Short term deposits

Consist of short-term cash deposits held with financial institutions, with original maturities of more than three months and which are subject to an insignificant risk of changes in value because short term deposits have a fixed interest rate for the duration of the short-term deposit.

(i) New standards and interpretations

The Trust has applied the following standards and amendments for the first time for the year ended 31 March 2019.

NZ IFRS 9: Financial Instruments

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 and 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 it is different to that currently prepared under NZ IAS 39.

The adoption of NZ IFRS 'Financial Instruments' from 1 April 2018 under the simplified approach did not significantly change the reported results and financial position of the Trust as a parent entity

- (i) New standards and interpretations continued...

NZ IFRS 15: Revenue from contracts with customers

NZ IFRS 15, 'Revenue from contracts with customers,' deals with revenue recognition and 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 benefits from the good or service. The standard replaces NZ IFRS 18 'Revenue' and NZ IAS 11 'Construction contracts' and related interpretations.

The Trust has adopted NZ IFRS 15 'Revenue from contracts with customers' from 1 April 2018 using the cumulative approach retrospective approach. The cumulative effect resulting from the adoption is recognised from the date of transaction.

The adoption of NZ IFRS 15 'Revenue from contracts with customers' from 1 April 2018, did not significantly change the reported results and financial position of the Trust as a parent entity.

Accounting standards issued but not yet effective

NZ IFRS 16: '**Leases**' replaces the current guidance in NZ IAS 17. (Effective date: periods beginning on or after 1 January 2019): NZ IFRS 16 Leases was issued in January 2016. It will result in almost all leases being recognised in the Balance Sheet as the distinction between operating and finance lease is removed. Under the new standard as (the right to use the lease item) and a financial liability to pay rentals are recognised. The only exceptions are short term and low-value leases.

The Trust has undertaken a review of its existing leasing arrangements in light of the new lease accounting standard NZ IFRS 16. As at reporting date, the Trust has non-cancellable operating lease commitments of \$28,715 (refer note 6). For these leases the Trust expects to recognise a right-of-use assets and offsetting lease liabilities on adoption of NZ IFRS 16.

The Trust intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. The Trust intends to adopt NZ IFRS 16 on its effective date.

Notes

(1) Trust Funds	2019	2018
(i) Cash received from Counties Power Ltd	100	100
(ii) 15,000,000 fully paid ordinary shares in Counties Power Ltd vested in the Trust in terms of the Energy Companies (Counties Power Limited) Vesting Order 1993, represented by shares and reserves being Opening Shareholders' Funds of Counties Power Ltd.		
	30,797,000	30,797,000
Total Trust Funds	\$ 30,797,100	\$ 30,797,100
 (2) (a) Cash and Cash Equivalents		
Cheque Account – ANZ	58,623	28,585
Trustee Fees Account - ANZ	120	120
On Call Deposit – ANZ	1,755	25,460
ASB - Cheque Account	8	8
ASB - Fastsaver	503	543
BNZ - Oncall Saver	148,383	196,427
	209,392	251,143
Add: Interest accrued on short term investments	41,128	33,009
Total Cash and Cash Equivalents	\$ 250,520	\$ 284,152
 (2) (b) Short Term Deposits		
ANZ Bank	1,600,000	1,600,000
ASB	830,821	605,838
BNZ	1,525,000	1,600,000
Total Short Term Deposits	\$ 3,955,821	\$ 3,805,838
 Total at Bank (excluding Interest Accrual)	\$ 4,165,213	\$ 4,056,981

Notes

(3) Taxation	2019	2018
Total Gross Income (excluding accrued Interest)	434,479	440,610
Less: Expenses	(336,350)	(390,210)
Add: Imputation Credits attached to dividend	116,667	116,667
Assessable Income	<u>214,796</u>	<u>167,067</u>
Less Loss brought forward & utilised	214,796	167,067
Trustees' Taxable Income	<u>\$ -</u>	<u>\$ -</u>
Taxation on Trustees' Income @ 33%	-	-
Application of available Imputation Credits	-	-
Tax losses applied	-	-
Payable	-	-
RWT paid on Interest	-	-
Taxation Refund due	<u>\$ -</u>	<u>\$ -</u>
Imputation Credit Account		
Opening Balance	116,667	116,667
Imputation credits attached to Dividend received	116,667	116,667
Imputation Credits converted to Tax Losses	(116,667)	(116,667)
Closing Balance	<u>\$ 116,667</u>	<u>\$ 116,667</u>
Tax Losses		
Opening Balance	1,352,080	1,165,612
Less: Applied to Trustee Income	(214,796)	(167,067)
	1,137,284	998,545
Imputation Credits converted to Loss Carried Fwd	353,535	353,535
Closing Balance	<u>\$ 1,490,819</u>	<u>\$ 1,352,080</u>
(4) Investment		
	2019	2018
Investment in Counties Power Ltd	30,797,000	30,797,000
Closing Balance	<u>\$ 30,797,000</u>	<u>\$ 30,797,000</u>

The most recent valuation of the shares in Counties Power Ltd was made by Ernst and Young Chartered Accountants. As at 23 August 2000, the fair market value was fixed at between \$85,000,000 and \$90,000,000.

The total equity of Counties Power Limited at 31 March 2019 was \$246,457,000 (2018: \$241,127,000). The Trustees do not consider the investment to be impaired.

The Trust prepares separate consolidated financial statements, which includes its subsidiary, Counties Power Limited.

Notes

(5) Financial Instruments
Credit Risk

Financial Instruments which potentially subject the Trust to credit risk principally consist of bank balances and short term deposits.

The Trust has a credit policy which is used to manage this credit risk. As part of this policy, limits of exposure have been set within the constraints of the Trust Deed and are monitored on a regular basis.

The maximum exposures to credit risk at balance date are:

	2019	2018
Bank Balances	4,165,213	4,056,981
	<u>\$ 4,165,213</u>	<u>\$ 4,056,981</u>

Fair Values

Bank Balances	4,165,213	4,056,981
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The carrying value of these amounts is the fair value

(6) Operating Leases

	2019	2018
Non - cancellable operating lease commitments:		
Current	16,902	20,286
Non - Current	11,813	15,215
Total Operating Lease Commitments	<u>\$ 28,715</u>	<u>\$ 35,501</u>

(7) Related Parties

The elected Trustees of Counties Power Consumer Trust own 100% of the shares in Counties Power Limited. The Trust rents office premises from SBH Investments, in which a Trustee, Mr P S Beston, is a partner. The following transactions occurred with related parties.

	2019	2018
Dividends received	300,000	300,000
Rent & Associated outgoings paid	25,407	24,295

COUNTIES POWER CONSUMER TRUST
BUDGET INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2019

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		Budget 2020	Actual 2019
Income			
Dividend Received	136,500		300,000
Interest Received	300,000		137,280
Sundry Income	-		5,318
Total Income		436,500	442,598
Less Expenses			
Accountancy	18,006		18,496
Audit Fees	17,670		16,145
Bank Fees	180		48
Communication & Public Relations	8,495		8,248
Depreciation	1,286		1,665
Election Expenses	26,772		-
Energy Trust Levies	12,320		7,994
General Expenses	1,373		5,794
Insurance	8,483		7,376
Light and Power	1,080		947
Post, Stationery, Phone & Fax, Internet	4,500		3,888
Professional Fees	32,000		27,687
Rent	27,323		27,095
Repairs and Maintenance	200		-
Secretarial Fees	63,555		62,489
Security	100		-
Training	10,000		5,291
Travel & Accommodation	4,600		12,708
		237,944	205,871
Trustees' Fees	119,414		124,533
Trustees' General Expenses	2,720		2,609
Trustee Meeting & Seminar Exp	3,200		3,337
		125,334	130,479
Total Expenses		363,278	336,350
Comprehensive Income for the Year		\$ 73,222	\$ 106,248