Counties Power Consumer Trust

Annual Report

For the year ended

31 March 2020

Counties Power Consumer Trust

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Cover Photo: Counties Power Limited's New Pokeno Substation – July 2020

Counties Power Consumer Trust

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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	Mr C P Rupp - Chair	JP, Post Grad Dip Sc
	Mrs A D Eyes	M Com, Dip Mgt, CA, CMA
	Mr P S Beston	
	Mr D W Thomson	
	Mr D M Spratt	Dip Mgt, MBA
Secretary	Norman Foote	B Com, CA
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, PAPAKURA ASB, PUKEKOHE BNZ, PUKEKOHE	
Auditors	RSM Hayes Audit, AUCKLAND	

Counties Power Consumer Trust

Chair Report

For the year ended 31 March 2020

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

It is my privilege, again this year, to present this report on behalf of the Trustees of the Counties Power Consumer Trust for the year ended 31 March 2020.

Trustees

The five elected Trustees continue to hold 100% of the shares of Counties Power Limited, (the Company), 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 25 Trustee meetings held, including monthly Trust meetings, AGM for both the Company and Trust and ETNZ conferences. 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, Doug Troon, 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 some lines network companies in New Zealand) whereby the companies are managed so as to maximise profits for their owners, who frequently are from outside the region or even overseas.

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

Trustees' Functions

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

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

Counties Power Consumer Trust

Chair Report

For the year ended 31 March 2020

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; and
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 $12.1 million (including GST) in the calendar year just passed. (The previous year saw $11.9 million returned to consumers). These discounts reduced connected consumers' electricity bills in December 2019. The growth in the Franklin area has seen a further increase in the number of consumers to approximately 43,485 (2019: 42,458) with the result that each connection averaged approximately $279 in discounts received (2019: $280).

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 2020 is set out in the accompanying consolidated financial statements.

Strategic Considerations

The Trustees regularly canvas issues of strategic importance to the long term future of the Trust. This includes wide ranging discussion with the Company Directors. Biannual Trustee/Director workshops are 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.

Each month the Chair and CE of the Company meet with the Trust Chair and another Trustee, to review and discuss key aspects of the Company's performance.

The year under review has been one of change and growth within the Group. Future investment direction for the Company and Trust has been considered and, last year, a significant step was taken, through the acquisition by the Company, of a 75% interest in shares of ECL Group Limited. ECL Group Limited is a company which has been operating in the fuels industry for more than fifty years, earning a reputation as New Zealand's leading provider of specialist installation and maintenance services. This is reflected in the increase in the Group's value.

The Management team, led by Ms Judy Nicholl, has added great value to the Company this past year. Trustees congratulate Management and the Board of the Company, led by Doug Troon, for their initiative and look forward to the contribution, to the overall business, by the new acquisition.

During the year, your Trustees entered into negotiations for the Trust, in conjunction with the Company, to purchase a property. After lengthy discussions and consultations, agreement was reached to acquire the property, on an extended payments basis, with the purchase price payment itself taking place on 30 June 2021. Due in the main to these extended terms of payment, it was agreed between the parties involved, to keep the details of the arrangements confidential until the payment of the purchase price component was made. Trustees can advise, however, that a deposit of $1,000,000, to secure an interest in the property, was made in December 2019. The total amount payable for the property, including the deposit, is $7,632,600.

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 and now occurring 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 growth and development in the Franklin district continues to place increasing demands on the electricity distribution side of the business and Trustees are fully aware that this is core business and will be continuing to ensure that consumers' interests are looked after and protected.

As in past years, 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 separate Financial Statements of Counties Power Consumer Trust 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

During the year, the Trust applied for approval, to Inland Revenue, to be registered for GST under a Group arrangement with Counties Power Limited, our subsidiary. Trustees are pleased to advise that approval was granted, effective from 1 April 2019. As a result, the Trust financial reports reflect this new status.

The Trust operated its affairs with income being above budget, principally due an adjustment for back-dated GST. There was also income received from the ETNZ conference, which the Trust hosted on behalf of ETNZ. As this conference was run on a break-even basis, it will be noted that there is a counterbalancing expense item, being ETNZ conference expenses, in the financial statements.

Other expenses were, in total, above budget, mainly the result of higher trustees fees and expenses, and higher accountancy and secretarial fees resulting from a significant number of submissions made to government on a wide range of industry issues and matters and work associated with the application for GST registration. Professional fees were significantly above budget. This was the result of costs associated with a review of the Board of Counties Power Limited and the search for potential appointments to the Board. Overall the Trust incurred a deficit of -$1,892. (2019: surplus of $106,248), being $106,731 lower 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.

Immediately prior to balance date, the Covid-19 pandemic resulted in the New Zealand government announcing that the country would go into lock down, to contain the spread of the virus. The Trustees have assessed that whilst this event caused widespread inconvenience, no significant impact is anticipated on the Trust's ability to meet its short-term obligations, as they fall due. Further, the Trust has adequate reserves to sustain operations into the foreseeable future.

Directors of Counties Power Limited

The Directors of Counties Power Limited at 31 March 2020 were Messrs Doug Troon, Hamish Stevens (Deputy Chair), Vern Dark, David Tompkins and Mesdame Barbara Elliston. It should be noted that, since balance date, Ms Elliston retired as a Director. The Trustees would like to thank and acknowledge her contribution over the past 6 ½ years to the Company.

Counties Power Consumer Trust

Chair Report

For the year ended 31 March 2020

Also, since balance date, Trustees have appointed two experienced Directors to the board of the Company. Both Keith Walker and Benjamin Iosefa come from a background of corporate governance and their insights will be welcomed.

Trustees of the Counties Power Consumer Trust

As at 31 March 2020, the Trustees of Counties Power Consumer Trust were Mrs Christine Rupp (Chair) and Messrs Alan Eyes, Phil Beston, Don Thomson and David Spratt. 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.

An election was due to be held during this year, with both Mr Beston and Mr Thomson standing down. Nominations opened (with public notices being placed in local newspapers and on the Trust's website). At closing date (12 June 2019), only two nominations had been received for the two vacancies. The Electoral Officer therefore, declared the two candidates, Mr Beston and Mr Thomson, elected unopposed with notices being placed with the local newspapers (and Trust website), publically advising of the outcome.

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 2020.

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 Doug Troon 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, Norman Foote, whose experience and diligence has been an outstanding asset to the Trust.

Christine Rupp
Chair
6 August 2020

Counties Power Consumer Trust

Trustees' Statement

For the year ended 31 March 2020

TRUSTEES' STATEMENT

For the year ended 31 March 2020

Scheduled Trustee Meetings and Attendance

	SCHEDULED	ATTENDANCE
Alan Eyes	25	23
Phil Beston	25	24
Christine Rupp	25	25
Don Thomson	25	24
David Spratt	25	24

This includes Six-monthly Shareholder meetings during the year.

Remuneration

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

	31 March 2020 $	31 March 2019 $
C P Rupp (Chair)	40,682	38,811
A D Eyes	23,996	20,181
P S Beston	23,716	22,681
D W Thomson	23,966	21,180
D M Spratt	26,616	21,680

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 2020

	Notes	2020 $'000 Group	Parent	2019 $'000 Group	Parent
Gross Revenue from continuing operations	5	132,065	-	82,516	-
Less Consumer Discounts	5	(10,560)	-	(10,353)	-
Net revenue from continuing operations		121,505	-	72,163	-
Other income and gains	6	353	497	364	442
Expenses, excluding finance costs	7	(101,148)	(488)	(52,149)	(335)
Impairment Costs	14	(8,000)	-		
Finance costs	7	(2,677)	(11)	(638)	-
Net Profit before income tax	8b	10,033	(2)	19,740	107
Income tax credit/(expense)	8a,b	(4,658)	-	(5,849)	-
Net Profit for the year after income tax		5,375	(2)	13,891	107
Net profit for the year is attributable to:					
Owners of Counties Power Consumer Trust		5,024	(2)	13,802	107
Non-controlling interest		351	-	89	-
Net profit for the year		**5,375**	**(2)**	**13,891**	**107**
Items that may be subsequently reclassified to profit:					
Cash flow hedges – net of tax	19	(326)	-	(131)	-
Items that will not be reclassified to profit:					
Loss on the revaluation of the distribution system	12,19	(5,076)	-	(9,000)	
Deferred tax on revaluation of distribution system	13	1,421	-	2,520	-
Gain on the revaluation of land and buildings	12	4,605	-		
Deferred tax on revaluation of land and buildings	13	(15)			
Items that will not be reclassified to profit		**935**	-	**(6,480)**	-
Total comprehensive income for the year		**5,984**	**(2)**	**7,280**	**107**
Total comprehensive income for the year is attributable to:					
Owners of Counties Power Consumer Trust		5,633	(2)	7,191	107
Non-controlling interest		351	-	89	-
Total comprehensive income for the year		**5,984**	**(2)**	**7,280**	**107**

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Counties Power Consumer Trust

Consolidated Statement of Changes in Equity

For the year ended 31 March 2020

	Notes	2020 $'000 Group	Parent	2019 $'000 Group	Parent
Opening balance as at 1 April		**$250,662**	**35,002**	**$245,225**	**34,895**
Profit for the year		5,024	(2)	13,802	107
Revaluation of the distribution system (net of tax)		(3,655)	-	(6,480)	-
Revaluation of the land and buildings (net of tax)		4,590	-	-	-
Other comprehensive income		(326)	-	(131)	-
Total comprehensive income		**5,633**	**(2)**	**7,191**	**107**
Transactions with owners in their capacity as owners					
Put option arrangement	2(v)	(500)	-	(6,000)	-
Non-controlling interest					
- arising on business combination	29	-		4,157	
- profit attributable to NCI		351	-	89	-
Closing balance as at 31 March		**$ 256,146**	**$ 35,000**	**$ 250,662**	**$ 35,002**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

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Counties Power Consumer Trust

Consolidated Statement of Financial Position

As at 31 March 2020

	Notes	2020 $'000 Group	2020 $'000 Parent	2019 $'000 Group	2019 $'000 Parent
ASSETS					
Current assets					
Cash and cash equivalents	9	2,466	203	2,819	209
Short Term Investments		3,286	3,286	3,956	3,956
Receivables	10	14,926	52	14,296	52
Inventories	11	5,439	-	4,255	-
Deposit Paid	30	1,000	672	-	-
Total current assets		27,137	4,213	25,326	4,217
Non-current assets					
Property, plant and equipment	12	359,929	6	320,296	9
Prepayments		-	-	12	12
Intangible assets	14	32,845	2	40,889	3
Right of use assets	28	13,886	40	-	-
Investment in Subsidiary		-	30,797	-	30,797
Total non-current assets		406,660	30,845	361,197	30,821
Total assets		433,797	35,058	386,523	35,038
LIABILITIES					
Current liabilities					
Borrowings	17	894	-	1,151	-
Trade and other Payables	15	17,135	29	16,215	36
Current Tax Payable		755	-	360	-
Employee benefits	16	3,288	-	2,770	-
Lease liability	28	2,822	16		
Deferred Income	4 (ii)	1,568	-	1,160	-
Total current liabilities		26,462	45	21,656	36
Non-current liabilities					
Trade and Other Payables	15	2,025	-	2,762	-
Deferred tax liabilities	13	46,398	-	48,713	-
Borrowings	17	81,200	-	54,794	-
Deferred Income	4 (ii)	1,232	-	1,753	-
Derivative financial instruments	28	634	-	183	-
Financial liability	2(v)	6,500	-	6,000	-
Lease liability	28	11,200	13	-	-
Total non-current liabilities		151,189	13	114,205	-
Total liabilities		177,651	58	135,861	36
Net assets		$ 256,146	$ 35,000	$ 250,662	$ 35,002
EQUITY					
Trust Funds	18	30,797	30,797	30,797	30,797
Retained earnings	19	196,175	4,203	190,151	4,205
Cash flow hedge reserve	19	(457)	-	(131)	-
Revaluation reserve	19	32,534	-	31,599	-
Other Reserves	19	(6,500)	-	(6,000)	-
Total equity attributable to the owners		$ 251,549	$ 35,000	$ 246,416	$ 35,002
Non-Controlling interest		4,597	-	4,246	-
Total Equity		$ 256,146	$ 35,000	$ 250,662	$ 35,002

Chair of Trustees

Secretary to the Trustees

6 August 2020
Date

The above consolidated 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 2020

	Notes	2020 $'000 Group	2020 $'000 Parent	2019 $'000 Group	2019 $'000 Parent
Cash flows from operating activities					
Receipts from customers (inclusive of goods and services tax)		121,013	-	81,754	-
Payments to suppliers and employees		(78,432)	(524)	(44,986)	(326)
Net GST paid		(3,456)	38	(2,189)	-
Sundry income		46	46	5	5
Dividend received		-	300	-	300
Interest received		174	154	154	129
Interest paid		(2666)	-	(639)	-
RWT & income taxes paid		(3,047)	-	(2,350)	-
Net cash inflow from operating activities	21	33,632	14	31,749	108
Cash flows from investing activities					
Payments for property, plant and equipment		(56,274)	(672)	(37,985)	-
Payments for intangible assets - computer software		(2,675)	-	(1,283)	-
Proceeds from Short Term Investments		670	670	(150)	(150)
Proceeds from sale of property, plant & equipment		237	-	188	-
Acquisition of business		196	-	(36,223)	-
Net cash (outflow) from investing activities		(57,846)	(2)	(75,453)	(150)
Cash flows from financing activities					
Proceeds from borrowings		34,149	-	60,945	-
Repayment of borrowings		(8,000)	-	(15,000)	-
Lease repayments		(2,268)	(18)	-	-
Net cash (outflows)/inflow from financing activities		23,881	(18)	45,945	-
Net (decrease)/increase in cash and cash equivalents		**(333)**	**(6)**	**(2,241)**	**(42)**
Cash and cash equivalents at the beginning of the year		2,819	209	578	251
Cash and cash equivalents at end of the year (excl short term deposits)	9	**$ 2,486**	**$ 203**	**$ 2,819**	**$ 209**

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

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Counties Power Consumer Trust

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

For the year ended 31 March 2020

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. ECL Group Limited, a subsidiary of the Company, is a leading technical services company specialising in fuel system and technology solutions in New Zealand. 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 2020. The financial statements for the "Parent" are those of the Trust. The Trust is designated as a for profit oriented entity for financial reporting purposes.

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

The authorisation and distribution of the financial statements will be ratified by the Trustees for issue on 6 August 2020.

2. Summary of significant accounting policies

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

(a) Basis of preparation and consolidation

The general purpose financial statements are prepared in accordance with New Zealand generally accepted accounting practice (NZ GAAP). They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), and other applicable New Zealand Financial Reporting Standards as appropriate for profit oriented entities. The consolidated financial statements also comply with International Financial Reporting Standards (IFRS).

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

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

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

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2. Summary of significant accounting policies (continued)

Basis of preparation and consolidation (continued)

Comparative information
Certain comparative have been restated to align with current year presentation.

Changes in Accounting Policy
The Group has applied the following standards and amendments for the first time for the year ending 31 March 2020:

NZ IFRS 16: 'Leases' replaces the current guidance in NZ IAS 17. (Effective date: periods beginning on or after 1 January 2019): The Group applied the simplified transaction approach and did not restate comparative amounts for the prior year (refer note 28).

Covid-19
On 11 March 2020 the World Health Organisation declared a global pandemic as a result of the outbreak and spread of Covid-19. On 25 March 2020 New Zealand went into a stage 4 lockdown requiring all non-essential businesses whose employees cannot work from home to close for a four week period (extended by a further 5 days to 27 April 2020).Counties Power Consumer Trust, Counties Power Limited and the trading subsidiary ECL Group Limited are considered essential businesses and were able to operate during the stage 4 lockdown with essential services and maintenance being performed. The Company continued to operate during lockdown stages 3 and 2. Management and the Board of Directors have considered the impact of Covid-19 on relevant balances and disclosures in the financial statements. As the Group provides essential services and has continued to operate, there is no material impact on the financials other than the $8.0 million goodwill impairment recorded (refer note 14). Management and the Directors of the Company continue to monitor developments as they occur.

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.

(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.

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

2. Summary of significant accounting policies (continued)

(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 consumer discounts 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.

i) *Lines revenue*

The Group provides lines service to consumers allowing connection to the wider distribution network. Such services are recognised as series of distinct goods or services and is one performance obligation satisfied over time as the consumer simultaneously receive and consume the benefits of the service. Revenue is recognised as the service is being provided using an output method based on the actual delivery services provided on a daily basis. Consumer discounts represents the annual power discounts returned to the consumers and recognised when paid.

Pricing includes a transmission and distribution charge relating to the operation of the network. Payment is due in respect of the network line services in the month following the service being provided. A receivable is recognised by the Group reflecting the amount owing for services provided.

As the delivery services are a promise to transfer a series of distinct services that are substantially the same, revenue is recognised based on a measure of progress for the single performance obligation that best depicts the transfer of services to the consumer. It is therefore appropriate for revenue to be recognised in line with billing, as this best reflects the transfer of value to the consumer. Revenue will be recognised over time.

ii) *Metering Revenue*

Revenue received from the rental of meters is recognised in accordance with the relevant agreements.

iii) Capital Contributions *Revenue*

The Group provides electrical connection services to customers to support and provide a connection to the wider distribution network. Such contracts are considered to have an enforceable right to payment for the performance obligation for key milestones as specified in the agreement. This single performance obligation is satisfied over time.

Pricing is determined with reference to the time and material associated with a specific contract for electrical work and is based on the level of cost required to enable a connection job.

2. Summary of significant accounting policies (continued)

iv) *Interest income*
Interest income is recognised using the effective interest method.

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.

v) *Dividend income*
Dividends are recognised when received excluding imputation credits attached to that dividend.

vi) *Rental income*
Rental income is recognised on a straight line basis in accordance with the substance of the relevant agreements.

vii) *Sales of Goods*
Revenue from sales of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on shipment of goods to the customer.

viii) *Sales of Services*
Contracted maintenance services include preventative maintenance (e.g. periodic inspections), corrective maintenance (e.g. repair/replacement of components on as needed basis) and customer service support (e.g. help line access).

The contract duration is typically 1-5 years and revenue is recognised over time as service is rendered. The customer pays a fixed amount over the contract term in accordance with the payment frequency specified in the contract.

ix) *Financing Components*
The Group does not expect to have any significant contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money as this is considered not to have a material impact.

x) *Contract Revenue*
Contract revenue is recognised over the period of the contract by reference to stage of completion. The construction contract accounting policy requires estimates to be made of the outcome under each contract, which requires assessments and judgments to be made on a range of factors, such as: recovery of pre-contract costs, changes in the scope of work, contract programmes, maintenance and defect liabilities and changes in costs.

The Group uses the 'percentage of completion method' to determine the appropriate amount to recognise in a given period. 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 contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion.

Contract costs are recognised as an expense by reference to the stage of completion of the contract activity at the end of the reporting period. When it is probable that the contract costs will exceed the total contract revenue, the expected loss is recognised as an expense immediately.

2. Summary of significant accounting policies (continued)

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

Variations in contract work, claims in incentive payments are included in contract revenue to the extent that may have been agreed with the customer and are capable of being reliably measured.

On the balance sheet the Group reports the net contract position for each contract as either and asset or a liability. A contract represents an asset where the costs incurred plus recognised profit (less recognised costs), exceeds progress billings: a contract represents a liability where the opposite is the case.

Contract assets
A contract asset is the right to consideration in exchange for goods or services transferred to the customer, conditioned on something other than the passage of time. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due.

A contract asset is recognised for the earned consideration that is conditional. The contract assets of the Group include retentions relating to services already preformed, but where the right to consideration is dependent on acceptance by the customer. These balances were classified as part of trade receivables prior to the adoption of NZ IFRS 15.

Contract Liabilities
A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services, a contract liability is recognised. Contract liabilities are recognised as revenue when the Group performs under the contract.

(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.

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.

2. Summary of significant accounting policies (continued)

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

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

(e) Goods and Services Tax (GST)

The Group's statement of consolidated comprehensive income is prepared so that all components are stated exclusive of GST. All items in the Group's Statement of Financial Position are also stated exclusive of GST, with the exception of receivables and payables, which include GST invoiced.

(f) Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, of more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows, which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each accounting period.

(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. The Group recognises lifetime expected credit loss for trade receivables (see details on note 3 b).

(i) Inventories

Merchandise, raw materials, consumables and work in progress 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.

(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.

2. Summary of significant accounting policies (continued)

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.

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

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

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

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

2. Summary of significant accounting policies (continued)

(k) Intangible assets

Computer software

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 on a straight-line basis (one to seven years). Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred.

Brands

Brands acquired in a business combination are recognised at fair value at the acquisition date. They have an infinite useful life and are tested for impairment annually.

Customer contracts

The consumer contracts were acquired as part of a business combination (see note 29 for details). They are recognised at their fair value at the date of acquisition and are subsequently amortised on a straight-line based on the timing of projected cash flows of the contracts over their estimated useful lives (10 years)

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired business (note 29), at the date of acquisition. Goodwill on acquisition of a business is included in intangible assets.

Goodwill acquired on business combination is not amortised. Instead, goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units of groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes.

(l) Leases

Leases are accounted in accordance with NZIFRS 16. The Group recognises the right of use assets and lease liabilities, except for the leases with a lease term of less than 12 months on adoption and low value leases. Right of use assets are depreciated on a straight line basis over the remaining term of the leases. Interest on the leases are calculated using the Group's incremental borrowing rates. Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

(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 capitalising interest as being any assets

2. Summary of significant accounting policies (continued)

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.

(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.

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.

2. Summary of significant accounting policies (continued)

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) Share Capital

Ordinary shares are classified as equity.

(r) Dividends

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

(s) Financial Assets

The Group classifies its investment in the following categories in accordance with NZ IFRS 9: assets at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit and loss (FVTPL). The classification of financial assets under NZ IFRS 9 is generally based on the business model in which the financial assets is managed and its contractual cash flows characteristics.

On initial recognition a financial asset is classified as measured at amortised cost, FVOCI and FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at an amortised cost if it meets both of the following conditions and is not designated at FVTPL.

- It is held with the objective is to hold the assets to collect contractual cashflows, and,
- Its contractual terms give rise on specified dates to cashflows that are solely for the payments of principal and interest on the principal amount being outstanding.

On initial recognition of an equity investment that is not held for trading, the Group irrevocable elect to present subsequent changes in the investment's fair value in other comprehensive income. The election is made on an investment by investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL.

(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 at each balance date. The resulting gain or loss is recognised as a financing cost and profit or loss immediately unless the derivative and effective as hedge instrument, in which event timing of the recognition in profit or loss depends on the nature of the hedge relationship. Derivatives are classified as current or non-current based on the effective date.

2. Summary of significant accounting policies (continued)

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 and loss in the periods when the hedged item affects profit and loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (e.g. 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.'

(u) Business Combination
The acquisition method of accounting is used to account for business combinations, regardless of whether equity instruments of other assets are acquired. The consideration transferred for the acquisition of a subsidiary:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interest issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and,
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interests in the acquired entity on an acquisition-by-acquisition basis either at fair value of at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

For the non-controlling interests of ECL Group Limited, the Group elected to recognise the non-controlling interests at its proportionate share of the acquired net identifiable assets. Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred
- amounts any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair of the net identifiable assets of the business acquired, the difference is recognised in profit or loss as a bargain purchase.

2. Summary of significant accounting policies (continued)

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

(v) Put Option Arrangements

The Group's subsidiary, Counties Power Limited, has written put options over the equity of ECL Group Limited, which permit the holder to put their shares in the subsidiary back to the Group at their fair value on specified dates over a six year period if ECL Group Limited's EBITDA for the previous financial year is at least $7,200,000.

The amount that may become payable under the option on exercise is initially recognised at the present value of the redemption amount as non-current financial liability with a corresponding charge directly to equity. The liability is subsequently accreted through finance charges up to the redemption amount that is payable at the date at the option first becomes exercisable. In the event that the option expires unexercised, the liability is derecognised with a corresponding adjustment to equity.

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.

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 its 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.

Counties Power Consumer Trust

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

For the year ended 31 March 2020

3 Financial risk management (continued)

Financial risk factors (continued)

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

(iii) 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 profit or 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 2020 is immaterial.

(b) **Credit risk**

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

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

Otherwise, management of the Company 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, short term investments and trade and other receivables as indicated in note 25.

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.

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

3. Financial risk management (continued)

Financial risk factors (continued)

The Group applies the NZ IFRS 9 simplified approach to measuring expected credit loss which uses a lifetime expected credit loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on days past due. The expected credit loss rates are based on the payment profiles over a 12 month period before 31 March 2020 and the corresponding historical credit losses during the period, adjusted for any significant amounts that are not receivable.

(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.

At 31 March 2020	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	17,135	737	1,288	-
Lease Liability	2,822	2,503	3,396	5,301
Bank loans	894	81,200	-	-
Derivative Financial Instruments (Fair values)	-	-	634	-
At 31 March 2019				
Trade and other payables	16,215	829	1,933	-
Bank and loans	1,151	-	54,794	-
Derivative Financial Instruments (Fair values)	-	-	183	-

(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.

3. Financial risk management (continued)

Financial risk factors (continued)

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 12.

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 2020 and 2019.

The Group monitors its compliance with banking covenants as required by its bankers, Westpac Banking Corporation and ASB Bank Limited (Note 17). There have been no breaches during the year.

The Group monitors equity using a gearing ratio, (a non-GAPP measure), which is net debt divided by total equity plus debt. The Group includes within net debt borrowings less cash and cash equivalents.

The gearing ratios are as follows:	Notes	2020 $'000	2019 $'000
Borrowings	17	82,094	55,945
Less: Cash and cash equivalents	9	(2,283)	(2,610)
Net debt		**79,811**	**55,335**
Equity		251,943	246,457
Equity plus net debt		**331,754**	**299,792**
Gearing ratio		24%	18%

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

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

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

(i) Electricity line revenue recognition

Part of the line revenues are based on normalisation, where consumption is estimated to the end of the billing period based on historical actual electricity usage. Occasionally historical electricity usage data is not consistent and subsequent adjustments are made. These adjustments are immaterial compared with total network revenue (refer to note 5).

(ii) Construction contracting and capital contributions
The Group recognises revenue for construction contracting and capital contributions as performance obligations are met. This method requires the Group to review key milestones specified in the agreement to determine the level of completion.

The following contract assets and liabilities were recognised as a result of NZ IFRS 15 adoption:

	Notes	2020 $'000	2019 $'000
Opening Balance		144	-
Acquisition of Business	29	-	144
Revenue recognised from performance obligation satisfied		(144)	-
Closing Balance		**-**	**144**

Contract Liability – Capital Contributions	Notes	2020 $'000	2019 $'000
Opening Balance		**4,407**	**3,637**
Amount of transaction price received for unsatisfied performance obligations		8,287	9,887
Revenue recognised from performance obligations satisfied	5	(8,416)	(9,117)
Closing Balance	15	**4,278**	**4,407**

The above table pertains to contract liability in relation to capital contributions and is presented as a deferred capital contribution liability in note 15.

Contract Liability – Deferred Income	Notes	2020 $'000	2019 $'000
Opening Balance		**2,913**	**-**
Acquisition of business	29	-	3,086
Amount of transaction price received for unsatisfied performance obligations		1,047	-
Revenue recognised from performance obligations satisfied		(1,160)	(173)
Closing Balance		**2,800**	**2,913**

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

Critical accounting judgements and key sources of estimation uncertainty (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 capital expenditure profiles and discount and inflation rates and impact of Covid-19 as detailed in Note 12.

(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 12.

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

(vi) Business Combination
The recognition of business combinations requires the excess of the purchase price of acquisitions over the net book value of assets acquired to be allocated to the assets and liabilities of the acquired entity.

The Group makes judgements and estimates in relation to the fair value allocation of the purchase price. If any unallocated portion is positive it is recognised as goodwill and if negative, it is recognised in the Consolidated Statement of Comprehensive Income.

(vii) Goodwill
The Group estimates at the end of each reporting period whether there is any indication that goodwill may be impaired. The group estimates the recoverable amount for each Cash Generating Unit and should an impairment exist, adjusts the carrying value to that amount. The determination of the fair value of the assets and liabilities is based, to a considerable extent, on management's judgement (refer to note 14).

RSM

	Notes	2020 $'000 Group	2020 $'000 Parent	2019 $'000 Group	2019 $'000 Parent
5. Revenue					
From continuing operations					
Electricity line revenue – gross		60,273	-	58,456	-
Consumer discounts		(10,560)	-	(10,353)	-
Net electricity line revenue		49,713	-	48,103	-
Metering Revenue		3,959	-	3,803	-
Construction contract revenue		3,025	-	2,926	-
Capital Contributions		8,416	-	9,117	-
Fuel and technology customer revenue		56,392	-	8,214	-
Total from continuing operations		**$ 121,505**	**$ -**	**$ 72,163**	**$ -**
6. Other income and gains					
Gain on disposal of fixed assets		(2)	-	(14)	-
Sundry income		209	71	216	-
Dividend income		-	300	-	300
Interest income		146	126	162	137
		$ 353	**$ 497**	**$ 364**	**$ 442**
7. Expenses					
Expenses, excluding finance costs, included in the statement of comprehensive income classified by nature					
Employee benefits expense		41,848	-	19,794	-
Depreciation and amortisation expense		19,136	19	12,947	2
Transmission costs		13,587	-	12,619	-
Less: Rental Rebates		(852)	-	(515)	-
Raw materials and consumables used		20,436	-	2383	
Land Valuation		730	-	-	-
Other expenses		6,263	469	4,911	333
		$ 101,148	**$ 488**	**$ 52,149**	**$ 335**
Finance costs		**$ 2,677**	**$ 11**	**$ 638**	**$ -**
Included in expenses above					
Depreciation (note 12)					
Plant & vehicles		3,407	1	1,947	2
Buildings		224	1	217	-
Leasehold improvements		60	-	22	-
Distribution system		8,515	-	8,282	-
Meters & relays		1,968	-	1,858	-
Fibre network		24	-	31	-
Right of use assets		2,414	17		
Total depreciation		**$ 16,612**	**$ 19**	**$ 12,357**	**$ 2**
Amortisation					
Computer software	14	1,474	-	590	-
Customer relationships		1,050			
Total amortisation		**$ 2,524**	**$ -**	**$ 590**	**$ -**

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8. Income tax expense

(a) Income tax expense

	Notes	2020 $'000 Group	2020 $'000 Parent	2019 $'000 Group	2019 $'000 Parent

The tax on the Groups profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the Group as follows:

	Notes	2020 Group	2020 Parent	2019 Group	2019 Parent
Current tax		3,441	-	2,610	-
Deferred tax		1,217	-	3,239	-
		$ 4,658	$ -	$ 5,849	$ -

(b) Numerical reconciliation of income tax expense to prima facie tax payable

	2020 Group	2020 Parent	2019 Group	2019 Parent
Profit before tax	10,033	(2)	19,740	107
Add imputation credits attached to dividend	117	117	117	117
Expenses not deductible for tax purposes	9,991	-	913	-
Reintroduction of building depreciation	(3,530)			
Taxable profit	$ 16,611	$ 115	$ 20,770	$ 224
Income tax expense attributable to taxable profits	4,703	-	5,837	-
Tax effect of tax loss carried forward	-	-	-	-
Prior year adjustments	(45)	-	12	-
Non-deductible depreciation on buildings	-	-	-	-
Income tax expense	$ 4,658	$ -	$ 5,849	$ -

(c) Imputation credit account

The value of imputation credits available to the company for subsequent reporting periods as at 31 March 2020 is $30.4 million (2019: $28.5m).

The above amounts represent the balance of the imputation account as at the end of the reporting period adjusted for:

i) Imputation credits that will arise from the payment of the amount of the provision for income tax;

ii) Imputation debits that will arise from the payment of dividends recognised as a liability at the reporting date;

iii) Imputation credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

(d) Tax losses available (Trust)

	Notes	2020 $'000 Group	2020 $'000 Parent	2019 $'000 Group	2019 $'000 Parent
Balance as at 1 April		1,491	1,491	1,352	1,352
Tax losses applied to Trustee income		(143)	(143)	(215)	(215)
Imputation credits converted to loss carried forward		353	353	353	353
Closing balance		$ 1,701	$ 1,701	$ 1,490	$ 1,490

	Notes	2020 $'000 Group	2020 $'000 Parent	2019 $'000 Group	2019 $'000 Parent
9. Cash and cash equivalents					
Bank balances		2,486	203	2,819	209
Closing Balance (excl short term deps)		**$ 2,486**	**$ 203**	**$ 2,819**	**$ 209**
10. Trade and other receivables					
Trade receivables		9,114	-	8,328	-
Accrued revenue		5,208	-	5,119	-
Other receivables		12	12	42	42
GST receivable		39	39		
Provision for doubtful receivables		(321)	-	(502)	-
Net trade receivables		14,052	51	12,987	42
Sundry prepayments		874	1	1,309	10
Total Receivables		**$ 14,926**	**$ 52**	**$ 14,296**	**$ 52**
Provision for doubtful receivables					
Opening balance		502	-	309	-
Plus additional provision recorded during the year		(181)	-	193	-
Closing balance		**$ 321**	**$ -**	**$ 502**	**$ -**

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

The Group has recognised an expense of $137,000 in respect of bad and doubtful trade receivables during the year ended 31 March 2020 (2019: $186,000). The movement has been included in 'expenses' in the Consolidated Statement of Comprehensive Income.

(b) **Fair value**

Information about the impairment of trade receivables and the Group's exposure to credit risk can be found in note 3(b). The Group applies NZ IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected credit loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on days past due. The expected credit loss rates are based on the payment profiles over a 12 month period before 31 March 2020 and the corresponding credit losses during the period, adjusted for any significant amounts that are not receivable.

On that basis, the following table details the loss allowance at 31 March 2020:

	Current	More than 30 days past due	More than 60 days past due	More than 120 days past due	Total
Expected loss rate	0%	0%	7%	37%	
Gross carrying value – trade receivables ($000)	12,851	369	332	770	14,322
Loss Allowance ($000)	**10**	**-**	**24**	**287**	**321**

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	Notes	2020 $'000 Group	2020 $'000 Parent	2019 $'000 Group	2019 $'000 Parent
11. Inventories					
Merchandise		3,373	-	3,373	-
Provision		(760)	-	-	-
Work in progress		1,128	-	882	-
Goods in transit		647	-	-	-
		$ 5,439	**$ -**	**$ 4,255**	**$ -**

12. Non-current assets – property, plant and equipment

	Land $'000	Buildings $'000	Plant & vehicles $'000	Leaseh old I' ments $'000	Meters & relays $'000	Distribution system $'000	Fibre network $'000	Parent - Plant & Equipment	Total $'000
Year ended 31 March 2019									
Opening net book value	14,405	7,089	6,217	-	13,140	257,117	25	9	298,002
Acquisition of business (note 28)	-	-	5,569	291	-	-	-	-	5,860
Additions	750	2,493	4,057	16	1,228	28,773	832		38,149
Change in WIP	-	296	(460)	-	-	-	-	-	(164)
Disposals	-	(3)	(178)	-	(18)	-	-	-	(199)
Revaluation loss	-	-	-		-	(9,000)	-		(9,000)
Depreciation charge (note 7)	-	(217)	(1,945)	(22	(1,858)	(8,282)	(31)	-	(12,355)
Closing net book value	**15,155**	**9,658**	**13,260**	**285**	**12,492**	**268,608**	**826**	**9**	**320,293**
At 31 March 2019									
Cost or valuation	15,155	10,061	27,715	307	22,145	268,608	2,051	17	346,059
Accumulated depreciation	-	(403)	(14,455)	(22)	(9,653)	-	(1,225)	(8)	(25,766)
Net book value	**15,155**	**9,658**	**13,260**	**285**	**12,492**	**268,608**	**826**	**9**	**320,293**
Year ended 31 March 2020									
Opening net book value	15,155	9,658	13,260	285	12,492	268,608	826	9	320,293
Additions	1,522	994	3,178	69	527	49,208	135	-	55,633
Change in WIP	-	-	(359)	-	-	-	-	-	(359)
Disposals	-	-	(220)	(1)	(17)	-	-	(2)	(240)
Revaluation gain/(Loss)	3,823	52	-	-	-	(5,076)	-		(1,201)
Depreciation charge	-	(223)	(3,406)	(60)	(1,968)	(8,515)	(24)	(1)	(14,197)
Closing net book value	**20,500**	**10,481**	**12,453**	**293**	**11,034**	**304,225**	**937**	**6**	**359,929**
At 31 March 2020									
Cost or valuation	20,500	10,481	26,789	376	22,633	304,225	2,186	15	387,533
Accumulated depreciation	-	-	(14,336)	(83)	(11,599)	-	(1,249)	(9)	(27,276)
Net book value	**20,500**	**10,481**	**12,453**	**293**	**11,034**	**304,225**	**937**	**6**	**359,929**

Distribution system assets

Distribution system assets were subject to a three yearly independent valuation as at 31 March 2020. 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.

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

Assumptions	Valuation assumptions adopted	Low	High	Valuation Impact $'m
Capital expenditure	$158.8m [1]	90.0%	110%	-/+1.0
WACC	5.8%	5.0%	6.5%	-/+12.0
RAB Multiple	1.0x	0.98x	1.02x	-/+4.4

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

The valuation was updated and reviewed by Deloitte at 31 March 2020. The valuation considered the impact of Covid-19 and noted that although the situation continues to evolve, the underlying assets have regulated cash flows which are perceived as "secured or guaranteed," and investors are not discounting the share prices of comparable listed companies with the overall market. Accordingly, no specific adjustments were made as a result of Covid-19. The Board determined that a revaluation adjustment of $5.1 million was required to reduce the carrying value to $304.2 million, to fall within the valuation range.

Land and Buildings

The network land and buildings were revalued upwards by $3.8 million as at 31 March 2020 (Revaluation reserve uplift $4.6 million, devaluation of $0.7 million to the Consolidated Statement of Profit or Loss). This three yearly valuation was prepared by JLL, independent valuers and property consultants. These valuations were carried out in accordance with PINZ Practice Standards and the New Zealand equivalent to International Accounting Standard IAS 16. The valuations were determined based on discounted cashflow, capitalisation of net income, sales comparison and depreciated replacement cost approaches and on the basis of continued use. The valuations took into account the nature of the property, age and conditions of the buildings.

In April 2020, JLL revisited the valuation prepared for land and buildings to assess the impact of Covid-19. JLL arrived at a view that the industrial sector was more defensive against the effects of Covid-19 and the impact would be short term. Rental growth forecasts were adjusted downwards for the next two years in the forecast. The impact for this change was not material and accordingly the valuation was not adjusted downwards.

Land and Buildings – historical cost

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

	2020 $'000 Group	2020 $'000 Parent	2019 $'000 Group	2019 $'000 Parent
Distribution Network – deemed cost	379,625	-	330,417	-
Less Accumulated Depreciation	(80,259)	-	(71,74)	-
Net book value	**$ 299,366**	**$ -**	**$ 258,673**	**$ -**
Land – deemed cost	4,988	-	3,138	-
Buildings – deemed cost	9,802		8,808	
Less Accumulated Depreciation	(2,044)	-	(1,821)	-
Net book value	**$ 12,746**	**$ -**	**$ 10,125**	**$ -**

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13. Deferred tax liabilities

	Notes	2020 $'000 Group	2020 $'000 Parent	2019 $'000 Group	2019 $'000 Parent
Movements					
Opening deferred tax liability		48,713	-	44,153	-
Charge to income tax expense		4,747	-	3,239	-
Reintroduction of building depreciation		(3,530)	-	-	-
Acquisition of business		-	-	3,892	-
Cash flow hedges		(126)	-	(51)	-
Deferred tax recognised on revalued assets		(1,406)	-	(2,520)	-
Closing balance at 31 March		$ 48,398	$ -	$ 48,713	$ -
Deferred tax Assets:					
Deferred income tax asset to be recovered after more than 12 months		729	-	251	-
Deferred income tax asset to be recovered within 12 months		112	-	107	-
Closing balance at 31 March		$ 841	$ -	$ 358	$ -
Deferred tax liabilities:					
Deferred tax income tax liability to be recovered after more than 12 months		49,239	-	49,071	-
Deferred income tax liabilities (net)		$ 48,398	$ -	$ 48,713	$ -

Deferred tax liabilities	Revaluation of property, plant and equipment $'000	Depreciation $'000	Other $'000	Total $'000
At 31 March 2018	**28,043**	**16,528**	**(418)**	**44,153**
Charged to income tax expense	-	3,239	-	3,239
Acquisition of business			3,892	3,892
Cash flow hedge	-	-	(51)	(51)
Charged directly to equity	(2,520)	-	-	(2,520)
At 31 March 2019	**25,523**	**19,767**	**3,423**	**48,713**
Charged to income tax expense	-	4,747	-	4,747
Reintroduction of building depreciation	-	(3,530)	-	(3,530)
Cash flow hedges	-	-	(126)	(51)
Charged directly to equity	(1,406)	-	-	(1,406)
At 31 March 2020	**24,117**	**20,984**	**3,297**	**48,398**

14. Intangible assets

	Notes	2020 $'000 Group	2020 $'000 Parent	2019 $'000 Group	2019 $'000 Parent
At 31 March					
Cost		45,748	6	43,497	6
Accumulated amortisation		(12,905)	(3)	(2,608)	(2)
Net book value		$ 32,843	$ 3	$ 40,889	$ 4
Opening net book value		40,889	3	1,147	-
Additions		1,881	-	1,895	-
Acquisition of business		(196)	-	39,052	-
Change in WIP		794	-	(612)	-
Disposals		(1)	-	(3)	-
Amortisation charge	7	(2,524)	(1)	(590)	(1)
Impairment		(8,000)	-	-	-
Closing net book value		$ 32,845	$ 2	$ 40,889	$ 3

Goodwill

Goodwill by Cash Generating Unit (CGU)	Notes	2020 $'000 Group	2020 $'000 Parent	2019 $'000 Group	2019 $'000 Parent
Fuel (ECL Group)		3,662	-	3,662	-
Technology (ECL Group)		11,894	-	19,894	-
Total Goodwill		15,556	-	23,556	-

Policies
Goodwill represents the excess of the consideration transferred over the fair value of the group's share of the net identifiable assets of an acquired subsidiary.

Goodwill is carried at cost less accumulated impairment losses.

Allocation
The goodwill recognised from the acquisition of ECL Group Limited (note 29) is monitored internally at a group level. It is allocated to operating segments (Fuel and Technology), which are also reflective of the group's cash generating units ("CGU's"), for impairment testing purposes.

Critical estimates and judgements
To assess impairment, management must estimate the future cash flows for each CGU. This entails making judgements including:

- the expected rate of growth of revenues;
- margins expected to be achieved;
- the level of future expenditure required to support these outcomes; and
- the appropriate discount rate to apply when discounting future cash flows.

Impairment
Goodwill is tested at least annually for impairment against the recoverable amount of the CGU to which

it has been allocated or when there is an indication that the assets may be impaired.

An asset is impaired if the Carrying Amount of the CGU is less than the Recoverable Amount at the Measurement Date. The Recoverable Amount of the CGU is defined as the higher of Fair Value Less Cost of Disposal (FVLCD) and its Value In Use (VIU).

At 31 March 2020, the group recognised an impairment loss of $8.0 million in respect of goodwill allocated to the ECL Technology CGU. There is no impairment of goodwill allocated to the Fuel CGU.

There is an increased level of uncertainty on the ECL Technology business due to the impact of COVID-19.

In response to the current challenges faced when forecasting the future, management considered various scenarios in relation to Technology's revenue growth and future profitability using estimated mid-term and long-term growth rates based on a five-year cash flow forecast. The recoverable amount was written down to $21.6 million resulting in a recognition of an $8.0 million impairment.

Assumptions

The recoverable amounts attributed to the CGUs are calculated based on FVLCD. The fair values were calculated based on cash flows discounted using the applicable WACC rates. They are classified as level 3 fair values in the fair value hierarchy due to the inclusion of unobservable inputs.

Future cash flows are forecast based on actual results and strategic business plans. A five-year plan as approved by the Directors has been used for the Fuel and Technology CGUs.

Terminal growth rates of 1.5% for Technology and 0.0% for Fuel have been used.

The table below sets out the key assumptions for the CGUs:

	Fuel	Technology
Revenue Growth (% annual increase – 5 year average)	1.3%	7.9%
COGS and direct wages (% annual increase – 5 year average)	1.3%	7.8%
Discount	14.5%	17.8%

Revenue for the Fuel CGU is broadly comprised of four key areas: fixed price service contracts (35%), changeable service and maintenance activities (30%), project works (15%) and parts and equipment sales (10%). As a supplier to essential businesses such as service stations and supermarkets, the impact of Covid-19 was not sustained or significant to the forecast future cash flows.

Revenue for the Technology CGU is driven by a combination of organic growth through the Fuels market and large project works. New market segments have been identified which are expected to provide significantly high mid-term and long-term prospects. The technology business has proven capability within these market segments and the capacity to scale as required as new customers are brought on. The impact of Covid-19 is forecasted to reduce and defer revenue growth for technology in the next year (FY 2021), which is expected to be the post Covid-19 recovery period. This resulted in a $8.0 million impairment to goodwill at 31 March 2020 (2019: nil).

COGS and wages can be scaled up or down to the level of business growth with pricing set on a sustainable basis.

WACC rates take into account the cost of debt and equity. The cost of equity is derived from the expected return on investment by the Group using the capital asset pricing model. The cost of debt takes into account incremental borrowing rates for the ECL group and individual markets that Fuel and Technology CGUs engage in.

Sensitivity to changes in key assumptions

The most sensitive assumptions and the impact on the carrying value of goodwill are provided in the table below:

Technology	**$000**
Revenue growth (1% decrease)	(541)
Revenue growth (1% increase)	1,897
COGS (1% increase)	(867)
COGS (1% decrease)	1,059
WACC (0.5% increase)	(906)
WACC (+0.5% decrease)	1,186

Any reasonable possible change of key assumptions applied in the impairment model will not result in any goodwill impairment to Fuel CGU.

15. Trade and other payables

	Notes	2020 $'000 Group	2020 $'000 Parent	2019 $'000 Group	2019 $'000 Parent
Trade payables		8,343	29	8,295	36
Sundry accruals		3,731	-	2,684	-
Deferred capital contributions liability		4,278	-	4,407	-
Non-interest bearing liabilities		783	-	829	-
Total current payables		17,135	29	16,215	36
Non-interest bearing liabilities		2,025	-	2,762	-
Total trade and other payables		**$ 19,160**	**$ 29**	**$ 18,977**	**$ 36**

16. Employee benefits

Employee benefits	649	-	385	-
Holiday pay	2,532	-	2,280	-
Other leave	107	-	105	-
Total Provisions	**$ 3,288**	**$ -**	**$ 2,770**	**$ -**

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

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	Notes	2020 $'000 Group	2020 $'000 Parent	2019 $'000 Group	2019 $'000 Parent
17. Borrowings					
Unsecured - interest bearing					
Bank loan – current		894	-	1,151	-
Bank loan – non-current		81,200	-	54,794	-
Total borrowings		**$ 82,094**	**$ -**	**$ 55,945**	**$ -**

(a) Interest rate risk exposures

Details of the Group'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:

	2020 Group	2020 Parent	2019 Group	2019 Parent
Credit standby arrangements				
Total facilities				
Counties Power Limited	100,000	-	55,000	-
ECL Group	17,900	-	17,900	-
Bank loans	117,900	-	72,900	-
Used at reporting date – Bank Loans	**$ 82,094**	**-**	**$ 55,945**	**-**
Unused at reporting date – Bank loans	**$ 35,806**	**$ -**	**$ 16,955**	**$ -**

Counties Power Limited

The revolving credit bank loan facilities may be drawn down at any time. The ASB banking loan facility limit is $100.0 million and expires on 30 April 2021 (2019: $50.0 million). The Westpac banking loan facility was closed this year (2019: $5.0 million). There have been no breaches of debt covenants during the year and the Group forecasts it will continue to comply with covenants.

ECL Group Limited

The revolving credit bank loan facilities may be drawn down at any time. The ASB banking loan facility limit is $17.9 million and expires on 31 December 2021. There have been no breaches of debt covenants during the year and the Group forecasts it will continue to comply with covenants.

Borrowings are subject to restrictive covenants imposed by 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 3.31% (2019: 3.58%). The Distribution System and Metering assets include capitalised borrowing costs of $297,000 (2019: $78,000).

(c) Fair value

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

(d) Foreign currency risk exposure

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

Counties Power Consumer Trust

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

For the year ended 31 March 2020

18. Trust Funds

	Notes	2020 $'000 Group	2020 $'000 Parent	2019 $'000 Group	2019 $'000 Parent
Trust funds at resettlement		30,797	30,797	30,797	30,797
Total Trust Funds		**$ 30,797**	**$ 30,797**	**$ 30,797**	**$ 30,797**

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

19. Reserves

	Notes	2020 $'000 Group	2020 $'000 Parent	2019 $'000 Group	2019 $'000 Parent
Retained earnings					
Opening balance		190,151	4,205	176,349	4,098
Distribution to Trust Beneficiaries		-	-	-	-
Net Surplus for the year		5,024	(2)	13,802	107
Closing balance		**$ 195,175**	**$ 4,203**	**$ 190,151**	**$ 4,205**
Asset revaluation reserve					
Opening balance		31,599	-	38,079	-
Revaluation of network assets	12	(5,076)	-	(9,000)	-
Revaluation of land and buildings		4,605	-	-	-
Deferred tax		1,406	-	2,520	-
Closing balance		**$ 32,534**	-	**$ 31,599**	-
Cash flow hedge reserve					
Opening balance		(131)	-	-	-
Derivative contracts taken into equity		(451)	-	(183)	-
Deferred tax		125	-	51	-
Closing balance		**(457)**	-	**(131)**	-
Other reserves					
Put option arrangement	2(v)	**(6,500)**	-	**(6,000)**	-
Total retained earnings and reserves		**$ 215,619**	**$ 4,203**	**$ 215,619**	**$ 4,205**

Dividends paid by the Company to the Trust was 2 cents per share. (2019: 2 cents per share). In the consolidated statements, this dividend has been eliminated.

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20. Remuneration of auditors and other advisors

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	2020 $'000 Group	2020 $'000 Parent	2019 $'000 Group	2019 $'000 Parent
Audit services					
Auditing the Financial Statements - RSM		20	20	16	16
Auditing the Financial Statements - PWC		272	-	231	-
Auditing of Regulatory Statements - PWC		47	-	42	-
Total Audit services		**319**	**16**	**289**	**16**
Other Services					
Other Advisory Services – Non-related audit firms		464	-	779	-
Regulatory Advice - PWC		9	-	4	-
Total Remuneration of Other services		**473**	-	**783**	-
Total Remuneration of Auditors and Other Advisors		**$ 812**	**$ 16**	**$ 1,072**	**$ 16**

Regulatory advice includes providing assistance with modelling the regulatory implications of a property development. Advisory services from non-related audit firms includes internal audit services and due diligence work.

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

	Notes	2020 $'000 Group	2020 $'000 Parent	2019 $'000 Group	2019 $'000 Parent
Reported surplus after tax		5,375	(2)	13,890	106
Depreciation and amortisation		19,136	19	12,947	2
Impairment		8,000	-		
Land valuation		730			
Changes in Deferred Tax		1,216	-	3,188	-
Net loss/(gain) on sale of assets		2	-	14	-
Finance charge		2	2	-	-
		34,761	21	16,149	2
(Decrease)/Increase in Current Liabilities					
Accounts Payable		184	(7)	2703	(8)
Employee Benefits		518	-	224	-
Taxation payable		395	-	-	-
Decrease/(Increase) in Current Assets					
Accounts Receivable		(590)	39	(570)	8
Income Tax Receivable		-	-	353	-
GST Receivable		(39)	(39)		
Inventories		(1,184)	-	(879)	-
Deferred income		(113)	-	(173)	-
Derivative financial instruments		-	-	52	-
		(831)	(7)	1,710	-
Net cash inflow from operating activities		**$ 33,632**	**$ (14)**	**$ 31,749**	**$ 108**

22. Contingent liabilities

The Group had no contingent liabilities as at 31 March 2020 (2019: $nil).

23. Commitments

(a) Capital commitments

The Group had $13,556,143 committed for property, plant and equipment at 31 March 2020. (2019: $12,172,000).

24. 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	2020 $'000 Group	2020 $'000 Parent	2019 $'000 Group	2019 $'000 Parent
Directors' fees – Counties Power Limited		$ 330	$ -	$ 277	$ -
Directors fees – ECL Group Limited		$ 144	$ -	$ 24	$ -
Trustees' fees		$ 139	$ 125	$ 125	$ 125
Dividends received		$ -	$ 300	$ -	$ 300

During the year, the Trust rented office premises from SBH Investments, a partnership, in which a Trustee is a partner. The rent totalled $17,640 excluding the insurance, rates and maintenance components inclusive of GST (2019: $17,640).

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. (2019: $6,000).

The Company owns 30.00% of Ampli Limited. There were no transaction between the Company and Ampli Limited during the year. (2019: $52,000). The Company had no financial arrangements with Ampli Limited during the year (2019: A receivable of $84,000, owed by Ampli Limited)

The Company had, through its 75% ownership of ECL Group Limited, no financial arrangements with the minority shareholder, Optima Investment Group Limited, during the year (2019: $37,000).

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

(c) Outstanding balances

The Group had no other outstanding balances with related parties at reporting date. (2019:$nil)

(d) Terms and conditions

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

Counties Power Consumer Trust

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

For the year ended 31 March 2020

24. Related party transactions (continued)

(e) Key management personnel compensation

	Notes	2020 $'000 Group	2020 $'000 Parent	2019 $'000 Group	2019 $'000 Parent
Salaries and short term employee benefits		2,144	-	2,206	-
Total		$ 2,144	$ -	$ 2,206	$ -

Key management personnel have been defined as the Leadership team of the Company.

25. Financial Instruments by category

Assets as per statement of financial position

	Amortised cost $'000 Group	Amortised cost $'000 Parent	Total $'000 Group	Total $'000 Parent
At 31 March 2020				
Trade and other receivables	14,297	53	14,297	53
Cash and cash equivalents	2,486	203	2,486	203
Short term investments	3,286	3,286	3,286	3,286
	$20,699	$3,542	$ 20,699	$3,542
At 31 March 2019				
Trade and other receivables	14,296	42	14,296	52
Cash and cash equivalents	2,819	251	2,819	209
Short term investments	3,956	3,806	3,956	3,956
	$21,071	$4,099	$21,071	$4,217

Liabilities as per statement of financial position

	Liabilities through other comprehensive income $'000 Group	Liabilities through other comprehensive income $'000 Parent	Financial liabilities at amortised cost $'000 Group	Financial liabilities at amortised cost $'000 Parent	Total $'000 Group	Total $'000 Parent
At 31 March 2020						
Derivative financial instruments	634	-	-	-	634	-
Borrowings	-	-	82,094	-	82,094	-
Lease Liability	-	-	14,051	29	14,051	29
Trade and other payables	-	-	20,022	29	20,022	29
	$ 634	$ -	$116,167	$ 58	$116,801	$ 58
At 31 March 2019						
Derivative financial instruments	183	-	-	-	183	-
Borrowings	-	-	55,945	-	55,945	-
Trade and other payables	-	-	18,977	36	18,977	36
	$ 183	$ -	$19,213	$ 28	$19,213	$ 28

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26. Derivative Financial Instruments

	2020 $'000		2019 $'000	
	Group	Parent	Group	Parent
Interest rate swap	634	-	183	-
Net derivative financial instruments	**634**	**-**	**183**	**-**

The Group had outstanding interest rate swaps of $25,000,000 at 31 March 2020 (2019: $15,000,000).

The Group had a forward foreign exchange contract for $US 206,000 at 31 March 2020 (2019: $nil).

27. Other Registered Holdings of the Company

Subsidiaries	Country of Incorporation	Interest held by entity 2020	Interest held by entity 2019
ECL Group Limited	New Zealand	75%	75%
CPL Network Limited	New Zealand	100%	100%

On 1 February 2019, Counties Power Limited acquired a 75% interest in ECL Group Limited. The 25% minority interest is held by Optima Investment Group Limited.

Counties Power Lines Limited was renamed to CPL Network Limited on 18 November 2019. It has been non-trading in both the current and comparative years.

Investment in Associates and Joint Ventures	**Place of Business/Country of incorporation**	**% of Ownership Interest**	**Nature of Relationship**	**Measurement Method**
SmartCo Limited	New Zealand	14.29%	Joint Venture	Equity
Ampli Limited	New Zealand	30.00%	Associate	Equity

In 2010, the Company acquired a 14.29% joint venture investment in SmartCo Limited. Due to the nature of the contractual rights and obligations, SmartCo Limited is classified as a joint venture for accounting purposes and accounted for using the equity method.

In 2017, the Company acquired a shareholding of 30.0% in Ampli Limited, (incorporated on 18 December 2017), at nil consideration. Ampli Limited is a company formed to develop data analytics for the electricity distribution industry. The investment has been accounted for as an investment in an associate.

28. Leases

NZIFRS 16 Leases replaces NZIAS 17 Leases and removes the classification of leases as either operating leases or finance leases and consequently, for the lessee, all leases (other than short-term or low value), are recognised in the Consolidated Statement of Financial Position. This has resulted in the Group recognising Right of Use Assets and related lease liabilities. Lease payments previously classified as operating leases have been reclassified from operating expenses to depreciation and lease interest expense.

The Group applied the simplified transition approach and did not restate comparative amounts for the prior year.
The lease liabilities were measured at the present value of the remaining fixed lease payments and remaining variable lease payments dependent on an index or rate as appropriate. The weighted average incremental borrowing rate applied to lease liabilities was 4.0%. The associated right of use assets for leases were measured at the amount equal to the lease liability determined as at 1 April 2019, with no overall change in net assets.

In the process of adopting NZIFRS 16, a number of judgements and estimates have been made. These include:

- Incremental borrowing rate, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions; and
- Lease terms, including any rights of renewal where it is reasonably certain they will be exercised.

The impact of adoption of NZIFRS 16 on the Group's financial position is summarised in the table below;

	2020 $000 Group	Parent
Right of use assets		
Buildings	9,381	40
Plant and vehicles	2,783	-
Distribution system	1,722	-
Closing net book value	**13,886**	**40**
Finance lease liability		
Current	2,822	16
Non-current	11,200	13
	14,022	**29**
Depreciation of right of use assets		
Buildings	853	17
Plant and vehicles	1,419	-
Distribution system	142	-
	2,414	**17**

Right of use assets are depreciated on a straight-line basis over the life of the lease. The current rates are:

Buildings	5-50%
Plant and Vehicles	20-90%
Distribution system	6-14%

The lease for buildings relate to office and warehouse throughout New Zealand. Distribution system assets are used exclusively by the Group.

When compared to the accounts policies applied in the prior comparative period, the adoption of NZ IFRS 16 on the Consolidated Statement of Profit or Loss for the year to 31 March 2020 is summarised in the table below:

	Pre NZ IFRS 16 $000's		Adjustments $000's		Post NZ IFRS 16 $000's	
	Group	Parent	Group	Parent	Group	Parent
Expenses, excluding finance costs	103,967	491	2,815	(1)	101,150	490
Depreciation	4,197	1	2,415	18	16,612	19
Finance costs	2,107	7	568	2	2,675	9
Income tax expense	5,116	499	5,798	19	5,176	518

The adoption of NZ IFRS 16 increased net cash inflows from operating activities and net cash used in financing activities by $2,268,000 for the year ended 31 March 2020.

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29. Business Combinations

In the previous year, (1 February 2019), Counties Power Limited acquired 75% of the issued share capital of ECL Group Limited, a leading technical services company specialising in fuel systems and technology solutions in New Zealand.

The following table summarises the consideration paid for ECL Group Limited, the fair value of assets acquired, liabilities assumed and the non-controlling interest at the acquisition date.

	$'000
Purchase Consideration at 1 February 2019	
Cash paid	36,223
Total Consideration	**36,223**
Recognised Amounts Of Identifiable Assets Acquired And Liabilities Assumed	
Cash and cash equivalents	224
Trade and other receivables	7,636
Inventories	3,376
Plant and vehicles	5,569
Leasehold improvements	291
Intangible asset – brands	3,400
Intangible asset – customer relationships	10,500
Intangible assets – computer software	1,400
Deferred tax liability	(3,892)
Trade and other payables	(3,454)
Finance liability	(3,591)
Employee benefits	(1,507)
Tax receivable	(238)
Deferred income	(3,086)
Net Identifiable Assets Acquired	**16,628**
Less: Non-controlling interests (25% of net identifiable acquired)	(4,157)
Add: Goodwill	23,752
Net Assets Acquired	**36,223**

A final purchase price adjustment for working capital resulted in a refund to Counties power Limited of $196,000 in May 2019. Otherwise, the fair value of the acquired assets and liabilities were unchanged.

30. Deposits paid

	2020 $'000		2019 $'000	
	Group	**Parent**	**Group**	**Parent**
Land and Building Deposit	1,000	672	-	-
Total Provisions	**$ 1,000**	**$ 672**	**$ -**	**$ -**

On 19 November 2019, the Group has entered into an agreement to purchase land and building assets which covers four separate property titles. As the land and building assets was already under an unconditional sale and purchase agreement, the Group entered a deed of assignment to take over the rights to purchase the land and building assets from the original purchaser.

As part of the agreement the Group paid an initial deposit of $1,000,000 before year end which is recognised as a deposit paid in the statement of financial position. The total amount of the purchase is $7,632,600 (plus GST – if any). Payments to settle this purchase is staggered over a period of 15 months from balance date. At balance date the Group had a capital commitment of $6,632,600 (plus GST – if any), of which a second deposit of $1,000,000 was paid on the 30 June 2020. Final settlement is expected to be completed on 30 June 2021.

To finalise the purchase of the land and building assets, the Trust has entered into a loan agreement with Counties Power Limited to access an amount of up to $1,132,600. At balance date the amount of the loan remains undrawn.

The Trustees believe that the strategic acquisition of these assets will provide significant benefits to wholly owned subsidiary Counties Power Limited, and will provide reoccurring returns for the Trust in the form of rental income in future years.

31. Events occurring after reporting date

In May 2020, Counties Power Limited increased its borrowing facility with ASB Bank to $150 million. The facility extends out for 5 years to May 2026.

Subsidiaries of the Group, (ECL Group Limited), applied for a wage subsidy under Covid-19 on 2 April 2020. Those companies received in total $1,986,546 on the 7 April 2020 and have been applying the funds towards payment of wages for employees from April 2020.

On 29 June 2020 the Group paid $1,000,000, the second deposit towards the building purchase, disclosed in note 30.

We have received confirmation from the Directors of the Company that since the issue of the consolidated financial statements of Counties Power Limited there have been no other changes that may impact the use of the going concern assumption in the preparation of these financial statements. The Trustees therefore believe that it is appropriate to use the going concern assumption in the preparation of the consolidated financial statements of Counties Power Consumer Trust.

Counties Power Consumer Trust

Statement of Service Performance

For the year ended 31 March 2020

The table below sets out the performance targets included in the Statement of Corporate Intent for the year ended 31 March 2020.

	2020		2019	
	TARGET	ACTUAL	TARGET	ACTUAL
Earnings before consumer discounts, interest and tax expressed as a percentage of total average capital employed	9.4%	6.7%	10.9%	11.3%
Net profit/(loss) before consumer discounts and after tax expressed as a percentage of average consolidated shareholders' funds	7.8%	4.8%	8.1%	8.7%
Average minutes without electricity per consumer: (SAIDI)				
• Unplanned outages	110	137.73	110	150.25
• Planned	90	87.13	95	113.91
Average faults per consumer (11kV and above) (SAIFI)	2.80	2.71	2.90	3.30

Unplanned outages, as measured by SAIDI (average minutes without electricity per customer), exceeded the target by 27.73 minutes (25.2% unfavourable). The main categories of faults were overhead equipment failure, (50.60 minutes), vegetation, (15.73 minutes) and a high number of vehicle versus pole incidents, (22.87 minutes).

Planned SAIDI was favourable, being 2.87 minutes, (3.2% favourable), under the year's target.

SAIFI performance was favourable, being 0.09, (3.2% favourable), under the year's target.

The SAIDI and SAIFI results were calculated in accordance with the 2015-20 DPP normalisation method using information from the Company's non-financial systems.

Health and Safety Measures

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

Counties Power Limited 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's Safety Management System was externally audited and retained certification. Like many other companies, Counties Power Limited continues to assess key critical risks and the management thereof, with increasing insight being put on the health component of health and safety.

	2020		2019	
	TARGET	ACTUAL	TARGET	ACTUAL
Lost time Injuries (LTIs)	-	4	-	3

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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 ("the Group"), which comprise:

- the consolidated and parent statement of financial position as at 31 March 2020;
- the consolidated and parent statement of comprehensive income for the year then ended;
- the consolidated and parent statement of changes in equity for the year then ended;
- the 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 47 present fairly, in all material respects, the financial position of Counties Power Consumer Trust and its subsidiary as at 31 March 2020, 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 or its subsidiary.

Emphasis of matter

Without modifying our opinion, we draw attention to note 2(a), 4, 8, 12 and 14 to the consolidated financial statements, which explains the impact of COVID-19 pandemic on the Group. Counties Power Consumer trust, Counties Power limited and its subsidiary, ECL Group Limited, were able to operate during the lockdown period, providing essential services and maintenance. The trustees, management and the Board of Directors have considered the impact on the financial statements. As the Group provides essential services and has continued to operate there is no material impact on the financial statements other than the $8 million goodwill impairment recorded (note 14). The trustees, management and the Board of Directors of the Group continue to monitor developments as they occur.

Other information

The Trustees are responsible for the other information. The other information comprises the Directory on page 3, the Chair report on pages 4 to 7, the Trustees Statement on page 8, the Statement of Service Performance on page 48 (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 Counties Power Consumer Trust and its' beneficiaries, as a body, for our audit work, for this report or for the opinions we have formed.

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RSM Hayes Audit
Auckland

7 August 2020